



Daily Report

Latin America

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Cuba

Alarcon Summarizes Meetings in Brazil

FL0301160795 Havana Tele Rebelde and Cuba Vision
Networks in Spanish 0100 GMT 3 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] Ricardo Alarcon, president of the National Assembly of the People's Government, who headed the Cuban delegation to the swearing-in ceremony of Brazilian president Fernando Henrique Cardoso, will return to Cuba on 2 January. Correspondents in Brasilia report on the latest activities of the Cuban delegation.

[Begin reporting] [First correspondent] Brazilian President Cardoso has given Ricardo Alarcon a fraternal welcome. The new president sent greetings to Commander in Chief Fidel Castro, and stated that he was also celebrating the New Year. Later, he made a breach in protocol and asked the press to take pictures of the meeting.

[Alarcon] It was a peculiar moment, and everyone there realized that we were commemorating two very important events, such as the inauguration of a new government in Brazil, which faces great challenges, and which calls—as the new president stated during his speech in the afternoon—for everyone to change Brazil, to make the essential social changes to face problems, as he very well pointed out. Likewise, it was also the anniversary of the Cuban Revolution. We exchanged congratulations, and I believe that the moment highlighted the depth and strength of the links between Cuba and Brazil.

[First correspondent] The Cuban delegation met many personalities in Brasilia, such as Miquel Arraes, president of the Brazilian Socialist Party [as heard] and governor of Pernambuco.

[Second correspondent] How do you see the future relations between Pernambuco and Cuba?

[Arraes, in Portuguese with passage-by-passage translation into Spanish] We have talked to the Cuban ambassador in the past, and now we want to arrange the visit of a delegation to Cuba, because Pernambuco has an important sugarcane area, and Cuba has developed [words indistinct]. We need Cuban technology to improve the sugarcane area in Brazil's Northeast.

[Third correspondent] And what are your views regarding the U.S. blockade against Cuba?

[Arraes] It is one of the absurd things happening in the world. Several past Brazilian ministers and presidents have fought against it. We reject the blockade which is an excrescence in today's world.

[Alarcon] We spoke at length about the situation of the people, the workers, their problems—particularly in this poor region in Brazil—and we discussed the possibilities

of increasing the links between the state of Pernambuco which he governs and Cuba. [end recording]

Alarcon later met with (Pierre Shori), Swedish minister of development cooperation.

[Begin recording] [(Shori)] We are friends of the Cuban people, and therefore, we want to find new ways to increase cooperation and dialogue.

[Second correspondent] Which topics did you discuss with the Swedish minister?

[Alarcon] We particularly discussed the feasibility of establishing bilateral relations now that the Social Democratic Party returns to power in Sweden. The main topic broached was the restoration of economic cooperation, which was interrupted during the conservative period in Sweden. [end recording]

At noon the Cuban delegation went to the Buriti Palace, where they met Brasilia's governor (Cristovao Buarque).

[Begin recording] [Second reporter] How were the talks with Alarcon?

[(Buarque), in Spanish] They went very well, following the talks with the ambassador, and helped even more to strengthen the relations between Brasilia and Havana, and all the Cuban people. [end recording]

Alarcon also received telephone calls from Espirito Santo's Governor (Victor Buais), and Friar Betto congratulating him on the 36th anniversary of the Cuban Revolution. Alarcon summed up his stay in Brasilia before his departure to Havana.

[Begin recording] [First correspondent] What were the results of your visit to Brasilia?

[Alarcon] Unfortunately, the visit has been too short. However, it was possible to participate in the swearing-in ceremony at the beginning. Outgoing Foreign Minister Amorim was very clear today during the Foreign Ministry transfer-of-command ceremony when he commented on Brazilian foreign policy toward Cuba, on respect for Cuba's independence, and on Brazil's efforts on behalf of Cuba, calling for the hemisphere to respect the international principles and the rights of the Cuban people. He stated that the policy he conducted towards Cuba reflects the feeling of the Brazilian people.

I noted during all the meetings with Brazilian officials a favoring interest in developing collaboration with Cuba, and in taking advantage of some of our experiences.

[Third correspondent] Did you meet any other Latin American presidents?

[Alarcon] Yes, particularly [Colombian] President Samper and [Bolivian] President Sanchez de Lozada [Bolivia], however, we also greeted others during the ceremonies.

[Third correspondent] And what did you broach during the talks?

[Alarcon] Both presidents have maintained a very respectful and friendly disposition toward Cuba, and on every possible occasion we talked not only of bilateral relations, but also addressed the problems in the hemisphere, and the general international situation, in a cordial and friendly manner. [end recording]

Notes Brazilian Leader's Support

PA0301223895 Havana PRENSA LATINA in Spanish
1729 GMT 3 Jan 95

[FBIS Translated Text] Havana, 3 Jan (PL)—Ricardo Alarcon, president of the National Assembly of the People's Government (ANPP) of Cuba, today emphasized the demonstrations of support for the Cuban delegation at the inauguration of Brazilian President Fernando Henrique Cardoso,

In a brief statement to PRENSA LATINA, Alarcon emphasized the particularly affectionate reception by Henrique Cardoso.

ANPP Vice President Jaime Crombet welcomed the Cuban leader, who arrived here today.

Alarcon said that despite the fact that the Cuban delegation's stay in Brazil coincided with the end of the year festivities, meetings were held with a number of governors and other Brazilian officials.

Shortly before his departure, Alarcon said in Brasilia that he had found great interest in Brazil in strengthening ties with Cuba.

In reply to reporters questions, the ANPP President praised the show of affection by the new Brazilian President.

Stresses Policy of Friendship

FL0401020395 Havana Radio Rebelde Network in Spanish 1800 GMT 3 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] The following is a PRENSA LATINA radio dispatch: Ricardo Alarcon, president of the Cuban Parliament, and [Bolanos], the vice minister of foreign relations, returned this morning to Havana from Brazil after attending the inauguration of President Fernando Henrique Cardoso.

[Begin Alarcon recording] On one hand, I can confirm the continuity of the policy of friendship between the two nations that outgoing Foreign Minister Celso Amorim mentioned in his speech as he conceded his post to the new foreign minister. Amorim stressed that Brazil's policy toward Cuba has been constant with regard to friendship and respect for Cuba's independence and sovereignty. I believe that the new government clearly intends to continue this policy, as well as continuing to

develop and expand cooperation in the many areas in which Cuba has experience, and which are of great interest to the Brazilian people, especially public health, education, sports, and culture. We have gotten this from federal and local authorities in the various Brazilian states. [end recording]

Robaina Meets With Kazakhstan's Tokayev

FL0401015395 Havana Radio Rebelde Network in Spanish 0000 GMT 4 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] Kazakhstan Foreign Minister Kasimzhomart Tokayev arrived in Cuba on 3 January at the invitation of Foreign Minister Roberto Robaina. Upon his arrival, Tokayev stressed the satisfactory status of their mutual relations and of the intense work conducted by the Cuban Embassy in Kazakhstan, the only one from Latin America, and that he believes it was his duty to visit Cuba. Tokayev pointed out that there is a high level of cooperation between the two nations and that their aim is to review bilateral relations in several sectors and to study the prospects of supplying oil to Cuba.

The official talks between Tokayev and Robaina have begun at the Ministry of Foreign Relations. Robaina greeted Tokayev upon his arrival at the Minrex and welcomed him with the following words once they were seated at the negotiation table:

[Begin Robaina recording] We extend to you the most cordial welcome [words indistinct] We hope this visit will serve not only to express [words indistinct] in political affairs, but also to find ways to [words indistinct] together find paths to [words indistinct] economic and commercial [words indistinct] can be at the height of our [words indistinct]. You have arrived. [end recording]

New York Cubans Celebrate Revolution's Anniversary

FL0401022695 Havana Radio Rebelde Network in Spanish 0000 GMT 4 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] Together with the members of the permanent Cuban mission to the United Nations, a large number of Cuban-American citizens who live in New York City observed the 36th anniversary of the triumph of the Revolution. Members of numerous solidarity with Cuba groups, including Americans, Cubans, Puerto Ricans, Dominicans, and other Latin nationalities, were in attendance.

Fernando Ramirez de Estenoz, Cuban representative to the United Nations, recalled the 1 January revolutionary triumph and stressed the firmness of Cuba's principles.

Castro, Maradona Exchange Gifts

FL3112021994 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 31 Dec 94

[From the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro met with Argentine soccer star Diego Armando Maradona and his family on 29 December in the Palace of the Revolution. Maradona is visiting Cuba at the invitation of the tourism corporation, Gran Caribe. [Video shows Fidel Castro kissing Maradona's daughters and signing a hat]

[Begin recording] [Castro] 29 December, for Maradona. This is the second hat.

[Maradona] [laughs] Thank you very much. May I write what I feel? [Maradona is shown writing on an Argentine flag, which he then gives to Castro]

[Castro] I see he is in good shape and has excellent ideas. I see he decided to fight for soccer, and to win with soccer. [end recording] [Video shows Castro and Maradona embracing]

UJC Study of UBPC's Reveals 'Serious Problems'

FL0401022395 Havana Radio Rebelde Network in Spanish 1255 GMT 3 Jan 95

[Granma province correspondent Alcibes Garcia; from the "Doing Radio" program]

[FBIS Translated Text] During the months of September, October, and November, the provincial bureau of the Union of Young Communists [UJC] in Granma conducted a political process aimed at increasing youth involvement in the Basic Cooperative Production Units [UBPC's], however, an evaluation of this effort does not reveal positive results. Carlos Arias, member of the provincial UJC leadership, headed the task. Arias said that serious problems persist in the functioning of the base level committees and in the effort to increase membership.

[Begin Arias recording] It is necessary to say that the youth here and the majority of the workers do not completely understand the principles that guide the functioning of the UBPC's. They do not understand the economic situation of the cooperative; how much is spent, how much is revenue, how much for utilities—they don't know these things. There are problems with the concept of the eight-hour workday and serious problems with the program of linking workers with an area. A low percentage of the workers are involved in the UBPC's' fundamental activities, while a majority of workers are involved in self-consumption efforts, and other efforts unrelated to the main task. [end recording]

The municipalities of Guisa, Pilon, Bartolome Maso, and Media Luna did not fulfill this task which, given its importance for the proper operation of the UBPC's,

makes it necessary to continue this political process and extend it to the agricultural-livestock cooperatives, Basic Production Units, and Credit and Service Cooperatives.

UJC 'Uprising' Campaign Held in Eastern Provinces

FL0401023495 Havana Radio Rebelde Network in Spanish 0000 GMT 4 Jan 95

[Report by Holguin correspondent Aroldo Garcia; from the "Exclusive" program]

[FBIS Translated Text] The beginning of the youth's defense uprising campaign was marked by a brilliant demonstration of the defense training and readiness of our troops, deployed in a multifold exercise using helicopters, paratroopers, and other combat resources, and an address by Mayor Vladimir Gonzalez Gonzalez, chief of the Union of Young Communists [UJC] chapter of the Revolutionary Armed Forces [FAR], at a large Anti-aircraft Defense and Revolutionary Air Force unit in the eastern region. The joint labor accords of the UJC and the Eastern FAR Command for 1995 were signed at the same unit.

All day long, and by means of productive efforts, ceremonies at outstanding units, displays of military equipment, and other activities, the province played host to youth representatives in events chaired by Division General Ramon Espinoza Martin, hero of the Republic of Cuba; Jorge Luis Guerra, first secretary of the Communist Party of Cuba in Holguin; Victoria Velasquez, first secretary of the national committee of the UJC; and Division General Nestor Lopez Cuba, chief of the Ideology Department of the FAR.

Center Planned To Assist New Small Businesses

FL0401030695 Havana Cuba Vision Networks in Spanish 0100 GMT 4 Dec 95

[From the "NTV" newscast]

[FBIS Translated Text] A center to facilitate the incorporation of small and medium-sized enterprises into the market will open shortly, following an agreement between the United Nations and the Cuban Chamber of Commerce. This is one of the premier accomplishments of the organization in 1994, when the number of registered enterprises increased despite foreign efforts to destabilize the economy and its direction.

[Begin recording] [Unidentified secretary of Cuban Chamber of Commerce] The number of members in the Cuban Chamber of Commerce increased in 1994 when compared to past years. There are currently 241 affiliated members. There was also a considerable increase in the number of foreign business registered in 1994, with over 600 firms with representation in Cuba today.

[Unidentified member of Cuban Chamber of Commerce] I believe that businesses operating in Cuba have

seen the opening of new trade opportunities, of a new business and managerial mentality, and of a general revitalizing of business in 1994. [end recording]

This view sums up the opinions of representatives of enterprises that have increased the export and import capabilities of Cuba. These enterprises, as stated by the secretary of the Chamber of Commerce, have participated in over 94 meetings of businessmen who have visited Cuba, including 10 businessmen from the United States and others from such important places as the French managerial sector and the Amsterdam Chamber of Commerce.

Castro Asks Oil Workers To Increase Productivity

PA3012184294 Havana PRENSA LATINA in Spanish
1430 GMT 29 Dec 94

["Cuban President Calls For Increased Oil Production"—PRENSA LATINA headline]

[FBIS Translated Text] Havana, 29 Dec (PL)—President Fidel Castro has urged workers of the Cuban oil sector to increase productivity next year for the benefit of the national economy, and he has congratulated them for the level of production reached in 1994.

GRANMA today published a congratulatory letter from Fidel Castro. The letter states: "At the end of a year of intense and fruitful work, our people acknowledge with gratitude and admiration the achievements of the oil workers who have imposed a new oil production record of 1,280,000 barrels".

Due to what the president has described as "the unbreakable decision to do well and to extract this precious hydrocarbon from the subsoil," Cuba was able to use 900,000 tons of fuel to guarantee more than 25 percent of the national electricity production.

The letter adds: The national production of crude oil also benefited [words indistinct] a broad and intense exploration program is being carried out in the seas and on land in cooperation with foreign companies. This program is already yielding positive results.

Predicting that levels of oil extraction will increase in the next few years and acknowledging above expectation production levels by Cuba's three oil drilling companies, Castro reiterated his call to the oil workers to maintain and increase the production levels reached so far.

The official mouthpiece of the Communist Party of Cuba also published a congratulatory note from Basic Industries Minister Marcos Portal, who has reported the net contribution of the Cuban oil sector to the economy amounted to \$50 million this year.

Television Programming Changes Announced

FL3112015194 Havana Radio Rebelde Network in Spanish 1800 GMT 30 Dec 94

[Interview with Juan Hernandez, vice president of the Cuban Institute of Radio and Television, by correspondent Airela Ramirez, place and date not given; from the "National Radio News"—live or recorded]

[FBIS Translated Text] [Ramirez] Juan, what are the changes and when will they take place?

[Hernandez] We have decided to create a new format for "Este Dia," which covers historical events. On 1 January, this little program, which reminds us of what happened on a day like today, will be seen at 2100. On 7 February and every Tuesday, we will broadcast it at the end of the transmission, right before the last newscast. We are recovering the old program, "Cinemateca en Television," which was on the air for many years. Through this program, we will air one more movie per week. The series that was being aired on Tuesdays will be moved to Monday, after "Colorama." We are also preparing a new program, to be seen during the first trimester of 1995, on Jose Marti's life, which will be aired on Fridays at 2200. During the first week of January, two programs will be reversed, "Historia del Cine," which had been airing on Sundays, but will be changed to Fridays; and "Noche de Cine," which was on Fridays, but will now be aired on Sundays. Another matter that has been studied is Sunday morning programming. We are working on a more participative program for children. They could participate in such other fields as knowledge, not just games. This program will be ready during the first trimester of 1995. In the meantime, the children's morning programming will be somewhat longer than it is now.

Roundup of Politburo Members' Activities

FL0301020195

[FBIS Editorial Report] The following is a compilation of reports on the activities of members of the Politburo of the Cuban Communist Party Central Committee monitored through 2 January 1995.

Nelson Torres presided over a 10-day sugarcane harvest report meeting in Havana City. Torres stressed the need to grind 85 percent over the norm during this sugarcane harvest. Torres added that there are provinces that have not, to date, reached this goal. He also underscored the importance of concluding the sugarcane harvest in April. (Havana Radio Rebelde Network in Spanish 0000 GMT 24 Dec 94)

General Ulises Rosales del Toro and Maria de los Angeles Garcia presided over a meeting with former members of the Revolutionary Armed Forces [FAR] in Camaguey. This group of men and women, after leaving the FAR, resumed their college studies, benefitting from the Ministry of the Revolutionary Armed Forces' order number 18. (Havana Radio Rebelde Network in Spanish 0000 GMT 24 Dec 94)

Jose Ramon Machado Ventura participated in a ceremony in which several outstanding professors from the Superior Institute of Medical Science of Havana City were honored. The event took place at the University of Havana. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 24 Dec 94)

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Maria de los Angeles Garcia and Ulises Rosales del Toro chaired a meeting in Holguin to review performance of the Order 18 program, the FAR's college program. (Havana Radio Progreso Network in Spanish 1100 GMT 24 Dec 94)

Pedro Ross Leal helped establish a Cuban tourism union office to promote workers to participate in international events. (Havana Radio Reloj Network in Spanish 1507 GMT 24 Dec 94)

Pedro Ross Leal, Politburo member and secretary general of the Cuban Workers Federation, congratulated the workers and people of Cuba for their support and confidence in the steps taken to stabilize the economy in 1994. (Havana Cuba Vision Network in Spanish 0100 GMT 25 Dec 94)

Abel Prieto, Politburo member and president of the National Union of Cuban Writers and Artists chaired the concluding ceremony of festivities marking the 90th anniversary of the birth of Cuban novelist Alejo Carpentier on 26 December in Havana, and praised several prestigious Cuban and foreign researchers. (Havana Radio Rebelde Network in Spanish 0000 GMT 27 Dec 94)

Yadira Garcia called on women to maintain unity. She did so at an assessment meeting in preparation for the Sixth Congress of the Federation of Cuban Women. She also stressed the widespread role of women in every task. (Havana Radio Progreso Network in Spanish 1200 GMT 27 Dec 94)

Raul Castro, in Caibarien Municipality, Villa Clara Province, awarded the Campana de las Vinas Work Contingent with a replica of the yacht Granma for their efforts in the construction of a causeway between Caibarien and Cayo Santa Maria. Juan Almeida Bosque, Alfredo Jordan, and Pedro Ross were also present at the ceremony. (Havana Cuba Vision Network in Spanish 0100 GMT 28 Dec 94)

Juan Almeida and Carlos Lage, on 27 December at Expo Cuba in Havana City, inaugurated Cuba 1995—100 Years Later, an exhibit synthesizing the accomplishments of the Cuban people in the Revolution. (Havana Radio Rebelde Network in Spanish 0000 GMT 29 Dec 94)

Pedro Ross Leal, during a visit to Santo Domingo Municipality in Villa Clara Province, stressed the need for workers to increase efforts in obtaining greater levels of efficiency as a strategy to recover production and services in Cuba. (Havana Radio Reloj Network in Spanish 2042 GMT 29 Dec 94)

Julian Rizo Alvarez praised the efforts of Camaguey Province workers who concluded the 1994-95 potato planting campaign of 38 caballerias of land in 13 days. (Havana Radio Reloj Network in Spanish 2044 GMT 29 Dec 94)

Alfredo Hondal, member of the Politburo and first secretary of the party in Ciego de Avila, presented oil workers of the Majagua oil enterprise with an award banner. (Havana Radio Reloj Network Spanish 2034 GMT 30 Dec 94)

Julian Rizo Alvarez, first secretary of the party in Camaguey, has congratulated people in the province on the occasion of the anniversary of the triumph of the Revolution and the incoming new year. (Havana Radio Rebelde Network Spanish 0000 GMT 31 Dec 94)

Esteban Lazo Hernandez, first secretary of the party in Havana and member of the Politburo, participated in a meeting with Havana's hospital director and officials on 30 December in which health issues were discussed. (Havana Tele Rebelde and Cubavision Networks Spanish 0100 GMT 31 Dec 94)

Nelson Torres and Maria de los Angeles Garcia, Juan Carlos Robinson, and the entire national committee of the Union of Young Communists participated, along with 10,000 youths, in a UJC-sponsored production rally in Santiago de Cuba, on 1 January. (Havana Radio Rebelde Network in Spanish 1800 GMT 2 Jan 95)

Roundup of Economic Developments

FL0101223095

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 1 January.

Cuba earned \$850 million in gross income from tourism in 1994. (Havana Radio Rebelde Network in Spanish 1000 GMT 26 Dec 94)

Tourism Vice Minister Miguel Bruguera has announced \$850 million in gross receipts in the tourism sector in 1994, compared to \$130 million in 1993. He said that 650,000 tourists visited Cuba in 1994, compared to 543,000 in 1993. He also confirmed that over 1,700 new hotel rooms have been completed at Hotel Gaviota Coral and Melia Las Americas in Varadero, among others. (Havana Radio Reloj Network in Spanish 2032 GMT 26 Dec 94)

In Manicaragua Municipality, Villa Clara Province, 80 percent of the coffee has been collected, 90 percent of which has been processed. More than 19,000 cans are expected to be harvested by year end. Approximately 3,000 workers have been harvesting coffee in mountainous Manicaragua since September. (Havana Radio Reloj Network in Spanish 2034 GMT 26 Dec 94)

Villa Clara's 28 Agroindustrial Complexes will not meet their winter sugarcane planting goal of 1,600 caballerias. Less than 960 have been planted since July. Delays were the result of heavy rains. (Havana Radio Reloj Network in Spanish 2049 GMT 26 Dec 94)

To date, over 1,600 cans of coffee have been collected by the 25 members of the Luis Borcu Basic Cooperative

Production Unit of Bahia Honda Municipality, Pinar del Rio Province, 100 cans more than expected. They have also produced 26,000 pounds of pork, exceeding their projected goal by 1,000 pounds. (Havana Radio Reloj Network in Spanish 2053 GMT 26 Dec 94)

Sancti Spiritus was the first province to achieve its goal for the current coffee harvest campaign. So far, almost 388,000 cans of coffee have been harvested, which exceeds last year's harvest by 80,000 cans. Another 20,000 cans are expected by the end of the campaign. (Havana Radio Rebelde Network Spanish 1255 GMT 27 Dec 94)

The provincial plenum of the communist party in Pinar del Rio will discuss tobacco production on 30 December. Cuba has invested over \$40 million during the current tobacco campaign. Approximately 1,600 caballerias in Pinar del Rio are linked with foreign investment, especially from Spain. In recent weeks, \$3.5 million more was invested to guarantee production goals. (Havana Radio Rebelde Network Spanish 1255 GMT 27 Dec 94)

In 1994, the 2,200 Cuban beekeepers, with only 150,000 beehives, have acquired over \$7 million for the national economy. Their production rate is 56 to 60 kg of diverse products per beehive. (Havana Radio Rebelde Network in Spanish 1800 GMT 27 Dec 94)

Guantanamo Province has reached its sugarcane winter planting goal, with a total of 222 caballerias of sugarcane complete. The province is the first in Cuba to reach its winter planting goal. (Havana Radio Rebelde Network in Spanish 0000 GMT 28 Dec 94)

In Granma Province, the current rice harvest, which was expected to yield 2,036,000 quintales, has produced only 1,351,000 quintales. To date, there are still 282 caballerias of rice remaining to be harvested. (Havana Radio Rebelde Network in Spanish 0000 GMT 28 Dec 94)

In Sancti Spiritus Province, a new herbicide production factory has been inaugurated. The products made at the factory will serve to fight against plagues affecting tobacco, yams, plantain, rice, corn, and vegetables. This factory, the third in Cuba, has a production capability of 120 tonnes of herbicide a year. (Havana Radio Rebelde Network in Spanish 0000 GMT 28 Dec 94)

The Agroindustrial Complex Los Palacios in Pinar del Rio has completed its planting goal of 150 caballerias of tomatoes in record time. (Havana Radio Reloj Network in Spanish 1502 GMT 28 Dec 94)

Aerocaribe airline, owned by Mexicana de Aviacion, has announced six flights a week between Cancun and Cuba to sustain the demands of tourism. Eduardo Garcia Mescua, representative of Mexicana de Aviacion in Cuba, has stated that Cuba and Mexico are currently connected by 10 weekly flights. (Havana Radio Reloj Network in Spanish 2039 GMT 28 Dec 94)

In Las Tunas Province, over 1,159,000 jars of medicine from plants and 1,190,000 jars of medicine from chemical products have been produced during 1994. (Havana Radio Reloj Network in Spanish 2058 GMT 28 Dec 94)

In Las Tunas Province, the Peru Agroindustrial Complex has reached its sugarcane winter planting goal, over 130 caballerias. The complex is the second to reach its winter planting goal in the province and throughout the province. Over 1,085 caballerias of sugarcane have been planted during the winter campaign. (Havana Radio Reloj Network in Spanish 2046 GMT 29 Dec 94)

The efforts made by Cuban tourism workers during 1994 have brought about an 18-percent increase in foreign currency revenue, compared to 1993. In 1994, the gross revenue obtained by the tourist sector has been \$850 million. Also during 1994, 1,700 new rooms were inaugurated in Cuba. (Havana Radio Reloj Network in Spanish 2058 GMT 29 Dec 94)

Granma Province produced 70 percent of exportable marble in 1994 and occupies first place in block production. The National Marble Enterprise exported \$1.5 worth of marble, representing a 51-percent increase over 1993. (Havana Radio Rebelde Network in Spanish 1800 GMT 29 Dec 94)

Isla de la Juventud fishermen caught 950 tonnes of lobster in 1994, over two tonnes above their goal, due to the efforts of the 17-boat local fishing fleet. In addition, efficiency and quality indicators have improved. (Havana Radio Rebelde Network in Spanish 0000 GMT 30 Dec 94)

Manzanillo battery factory 20 Aniversario del Triunfo de la Revolucion in Granma's Province has pledged to produce 80,000 batteries for the Sugar Ministry. So far, over 40,000 were delivered, and the rest will be completed by February 1995 when the sugarcane mills begin operating. The factory will close 1994 with the production of 165,000 batteries. (Havana Radio Rebelde Network in Spanish 0000 GMT 30 Dec 94)

In Ciego de Avila Province, over 90 construction projects are being completed as a salute to the Revolution's anniversary. Among these projects is the construction of over 1,500 houses, the largest number constructed in the province during the special period. Just hours ago, the new Villa Cojimar tourist facility opened its doors in Cayo Guillermo. The first phase of the bulk sugar loading dock has been completed, and during the forthcoming sugarcane harvest, this facility will begin to operate. (Havana Cuba Vision Network in Spanish 0100 GMT 30 Dec 94)

In Sancti Spiritus Province, the winter potato-planting goal has been reached, with 35 caballerias planted. (Havana Cuba Vision Network in Spanish 0100 GMT 30 Dec 94)

In Santiago de Cuba Province, the winter sugarcane-planting goal has been reached with 340 caballerias

planted. The province is the second in Cuba to achieve its winter planting goal. (Havana Cuba Vision Network in Spanish 0100 GMT 30 Dec 94)

The president of the National Institute of Hydraulic Resources has reported revenue of over 15 million pesos for 1994. He added that the positive results—due to increased efficiency and new charges for water services—were especially significant because the institute had received three million pesos in government subsidies in 1993. (Havana Radio Reloj in Spanish 2046 GMT 30 Dec 94)

Cienfuegos Province has accrued over 3,000 pesos in taxes from self-employed workers. So far, approximately 8,000 people have applied for authorization to conduct self-employment activities. (Havana Radio Reloj Network in Spanish 2056 GMT 30 Dec 94)

Tobacco workers in Villa Clara Province have achieved their goal for 1994 with the production of 13.4 million cigars for export. (Havana Radio Rebelde Network Spanish 0000 GMT 31 Dec 94)

Matanzas Province sugarcane workers had 1,087 sugarcane caballerias planted by 29 December, and were about to complete their winter planting goal, with only 13 more caballerias to be planted. (Havana Radio Rebelde Network in Spanish 0000 GMT 31 Dec 94)

Granma Province breaks record in shrimp production. A total of 600.3 tonnes were produced by the close of December, yielding more than \$2 million in revenue. President Fidel Castro had inaugurated the shrimp farm in 1986. (Havana Radio Nacional Network Spanish 1800 GMT 30 Dec 94)

The party plenum advises that in Pinar del Rio, 1,500 caballerias of tobacco have been planted. This is 76 percent of the planned total planting. (Havana Radio Reloj Network in Spanish 0300 GMT 31 Dec 94)

Cuba's steelworking and electronics industry recovered progressively in 1994, recording a 25 percent increase in production over 1993. Steelworking Industry Minister Ignacio Gonzalez Planas has explained that even though production in that sector was far from what is required by the national economy, the search is under way for new financing, markets, and technology. Gonzalez said the strategy includes strengthening the sector's presence on the domestic market. (Havana Radio Havana Cuba in Spanish 0000 GMT 29 Dec 94)

A Mexican-Cuban joint venture will begin the second phase of a \$200-million oil refining project early in 1995. Juan Fleites Melo, director of Cuban Petroleum, which handles Cuba's international oil operations, said the work is being done at the Cienfuegos oil refinery. The Mexican-Cuban venture plans to process medium and light oil, which is only 2 percent sulphur, to supply both the domestic market and to export some surplus. (Havana Radio Havana Cuba in Spanish 0000 GMT 30 Dec 94)

Cuba expects to receive 850,000 tourists in 1995, thus surpassing the 630,000 who visited Cuban territory in 1994. It is expected that over \$1 billion in foreign currency will be earned, compared with the \$850 million collected in 1994. (Havana Radio Havana Cuba in Spanish 1300 GMT 31 Dec 94)

Inter-Caribbean Affairs

Caricom Leader: WTO To Have 'Greater Control' Than GATT

FL3112123694 Bridgetown CANA in English 1811 GMT 30 Dec 94

[FBIS Transcribed Text] Port of Spain, Trinidad, Dec. 30, CANA—Secretary-General of the Caribbean Community (Caricom), Dr. Edwin Carrington said Friday that member states would also be part of the new World Trade Organisation (WTO) which is expected to be launched on January 1. Carrington who is home for the Christmas holidays, however, said that he was uncertain about the number of Caricom states which had ratified the agreement. "We are part of WTO. We signed the new GATT agreement in April in Marrakesh in Morocco," Carrington told the Caribbean News Agency.

Several countries around the world have been rushing to deposit their ratification documents in time for the New Year's day launch of the new organisation. The formal step is the last in the long procedure which began on December 15 last year when more than 120 countries ended seven long years of negotiations on a new world trade treaty in GATT's Uruguay round.

The treaty slashes tariffs by an average of more than one third and opens up markets for services, farm produce and textiles.

Carrington said GATT is being replaced by the regulatory WTO with a mandate to impose sanctions and penalties. "Because of the teeth, the WTO will have a greater control of world trade than GATT would have allowed.

"It's a new ball game in trade liberalisation and deregulation," he asserted.

Trinidad and Tobago's foreign affairs minister Ralph Maraj described the new organisation as a premium body which will monitor the international trading system. Maraj, however, wants to see developing countries becoming an integral part of the new international establishment. "Developing countries should take a firm interest in the organisation and see that their views are firmly represented so as not to allow a domination from developed countries," he told CANA. "We must ensure that the genuine concerns of the developing countries are taken fully into account and that they are not marginalised."

Haiti

Aristide Stresses Peace in New Year's Address

FL0401001895 Port-au-Prince Signal FM Radio in French 1130 GMT 3 Jan 95

[Report on New Year's speech by President Jean-Bertrand Aristide on 2 January, place not known—recorded; passages within italics in Creole]

[FBIS Translated Text] The president of the Republic, his Excellency Jean-Bertrand Aristide, delivered a New Year's speech to the nation. In his message, the president of the Republic repeated his call for peace and reconciliation. He also paid tribute to the ancestors for the successful efforts they made toward Haiti's independence. The time to build up a new Haiti has come, said president of the Republic, Jean-Bertrand Aristide. In denouncing the high cost of living, he said, *In peace, we will cook the justice pork in the reconciliation fat.* He also announced the signing of an agreement with Canada, the decline in prices of essential food products, and improvement in local production.

[Begin Aristide recording] *Brothers of mine who are still armed, I have come to hold out my hand to you at the beginning of the year of peace. Be quiet, do not be afraid. Do not be afraid to lay down your weapon so we can talk to one another as Haitians, Haitians who have acknowledged that the time has come, that the time to build a nation in peace has come. If you are no longer an Army member, there are jobs for you in the Ministry of Public Works [Transport, and Communication], the Ministry of Public Health [and Population], and the Ministry of Agriculture [Natural Resources, and Rural Development], whichever you choose. Be calm. All of you together, do not be afraid to cooperate so the disarming can end in peace. It is only the path of peace that will finally lead us to total, complete deliverance. Exchanging 191 years of violence for 191 years of independence is too much. Enough is enough.*

Today, Haitian people, I have come to declare that the time is here for us to build a nation in peace. Peace and prosperity intertwine. For three centuries, the first inhabitants of Haiti, including Indians—Ciboneys and Arawacks—turned Hispaniola into a paradise. As it became the richest French colony during the 18th century, Moreau de Saint-Mery [French historian] called it the colonial Hercules. Every year, 500 ships unloaded products from our island in the harbors of the metropolis: Sugar, coffee, indigo, copper, and wood. On the eve of 1789, St. Domingue [the country's French colonial name] represented more than one third of France's external trade and no part of the world, given its surface area, concealed as many riches as our island.

Today more than ever, with peace, yes, with peace, we can create a Haitian nation where human, economic, and democratic growth can bloom; the Haitian state that symbolizes institutionalized violence will become a state

of law. Solon said, Society is well governed when the citizens obey the magistrates and when the magistrates obey the law. *Otherwise, it will be a waste of time and energy. Fortunately, as early as 15 October 1994, democracy's breakdown was repaired so we could begin to rebuild our country. Haiti will be so beautiful, it will become a model. We will not be able to get blood from a stone with peace, but we will be able to cook the pork in the pork fat. With peace, we will have the justice pork cooked in the reconciliation fat. With peace, for what we have lost in reconciliation, length will be compensated for through justice's breadth. Reconciliation among all and justice for all, this is the royal path to peace.* [end recording]

President of the Republic Jean-Bertrand Aristide made a lightning visit, an unexpected stop, in Cite Soleil, the capital's main shanty town. He announced the arrival of 18,000 sacks of sugar for department delegates [as heard] and that a total of 42,000 jobs will be created over the next few days. He said a total of 180 million gourdes will be allocated for the execution of small projects and 11 million gourdes for people's restaurants. He also announced the upcoming repair of Delmas II Road. The president of the Republic, who visited Cite Soleil, as I told you a moment ago, also announced that 219 million gourdes will be allocated for the vaccination campaign. He said that foodstuffs will soon be at the disposal of the deprived people of Port-au-Prince and the provincial cities.

St. Kitts and Nevis

Simmonds New Year's Address Emphasizes Elections

FL0201022895 Bridgetown CANA in English 1844 GMT 1 Jan 94

[FBIS Transcribed Text] Bassterre, St. Kitts, Jan 1, CANA—St. Kitts/Nevis Prime Minister Dr. Kennedy Simmonds on Sunday underscored the importance of the "peace dividend" to the social and economic development of the twin-island federation. In his New Year's Day message, aired on state radio and television, Simmonds also restated his personal commitment to free and fair general elections, promised by November 17th.

"It is important that we approach general elections as peace-loving and God-fearing people, and that all people exercise their franchise in accordance with the dictates of their conscience. Political leaders must be prepared to iron out difficulties and uncertainties through dialogue and consultation. Our country simply cannot afford a replay of the last fourteen months. As a nation, we have far too much to lose from violence, disorderly conduct, and the consequent negative regional and international media coverage," Simmonds stated.

The early poll, three years before they are constitutionally due, comes amid deep concern about criminal activity and political stability, ever since inconclusive

general elections here in November 1993, in which the coalition held power with five seats to six for the two parliamentary opposition parties. Simmonds, whose party forged a minority government with its longtime partner, the Nevis Reformation Party, made the election concession in an agreement during talks late last year with opposition, church, business, trade union and community leaders.

In his address, Simmonds said: "I can assure you that as prime minister, I will do everything possible to ensure that peace is maintained and that the electoral process continues to be fair and transparent and that our people perceive it to be fair. Although there has never been any question about the fairness of elections during my administration, I am prepared to let the whole world see for itself, by inviting international observers to observe our electoral process," he continued. Simmonds further implored the people of St. Kitts/Nevis to work together in peace and unity to realise the full potential of the country's growing economy.

"I am convinced that continued growth and development are only possible in the long term: if we devote more effort to the cultivation of appropriate values in our young people, who in time will be called upon to take up

the mantle and carry our country forward." The peace dividend could be quite substantial because the maintenance of peace and order would facilitate the expeditious implementation of government's very expansive public investment programme, it would inspire the confidence of local and foreign investors, and it would contribute to the preservation of an economic climate conducive to continued growth and development," he said.

The prime minister further stressed: "It is not just the responsibility of government and or of the church, it is also the responsibility of each of us as citizens, and of each family and each institution in our Federation."

"This issue is not a political football to to be kicked around in the hope of attaining political advantage. It is far too important. It requires the dedicated and sincere effort of each of us. We will find that if we deal effectively with the deteriorating values and standards of behaviour in our society, a number of other social problems that we encounter will disappear overtime," he added in the New Year's Day broadcast. "Let us resolve to work together during the coming year, to heal the society of whatever ills there are, and continue to build a strong, progressive, and peaceful nation," Simmonds urged.

Zedillo Outlines Emergency Economic Program

PA0301221795 Mexico City Radio and Television
Networks in Spanish 1959 GMT 3 Jan 95

[Speech by President Ernesto Zedillo Ponce de Leon from the Adolfo Lopez Mateos Room of Los Pinos presidential residence in Mexico City on the occasion of the signing of the new Agreement of Unity To Overcome the Economic Emergency—live; broadcast in progress]

[FBIS Translated Text] ...the problem particularly worsened following the exorbitant increase in foreign interest rates and the anxiety caused by some political events and violence that our country experienced in 1994.

The economic program designed for 1995 was intended to reduce the vulnerability of our economy by gradually adjusting the deficit in the current account and restoring investors' confidence. With this, we attempted to maintain the influx of foreign capital. Regrettably, given the amount of the accumulated imbalance and the political events that caused the capital flight, the strategy to gradually reduce the problem could not be maintained. The unavoidable result was the recent devaluation of our currency.

We must face this problem with the knowledge that it is serious and urgent and that it will require our firm, strong determination. We must face this problem knowing it will entail sacrifices for everyone, without exception. Above all, we must face it knowing that it is a problem that can be overcome, and together we will overcome it.

In all honesty, I reiterate that the devaluation will have painful effects, but also, in all honesty, I stress that together we can work to make these effects temporary and that they become a decisive step toward a period of economic growth with stability. The devaluation affects prices in terms of national currency of the products we import or export. This prompts temporary inflation which will hamper everyone's standard of living. We must work to make the inevitable inflation, which will result from the devaluation, less intense and as brief as possible.

The devaluation will result in a reduction in the real income of workers in both the countryside and in the cities. This will only be reversed gradually through the recovery of solid and sustained growth. The devaluation also will result in the postponement of public spending projects and programs, which are important. In turn, we must reestablish conditions that shorten the timeframe of this deferment of projects as much as possible. The devaluation will entail sacrifices in the profit margins of enterprises and will cause a temporary reduction of credit. Both events will be overcome as we advance in the adjustment required by our economy.

The devaluation means that income in the country is lower than before because now we do not have additional resources to maintain consumption and the

investment supplied by foreign financing. In light of the drastic change of circumstances, it is imperative that we rapidly reduce the deficit in the current account to adjust ourselves to our own means and to a considerably smaller amount of financing on foreign markets. An adjustment of the economy is inevitable simply because we do not have the resources we had before to finance the deficit in the current account.

We must adjust that current account as soon as possible and, at the same time, avoid falling into an inflationary spiral. If we do not prevent the resumption of the race between devaluation and inflation, we will be wasting the sacrifices made over many years. At any rate, that will not spare us another sacrifice we will be forced to make to face the situation.

In this difficult period, it is prudent to recall that on other occasions when the exchange rate was adjusted significantly, the mistake was made of trying to avoid or compensate for the impact of devaluation with more inflation. The failure to realistically accept the need to make adjustments led to prolonged periods of economic stagnation and inflation and, above all, to extreme drops in real income.

We will not make that mistake. That is why we must adjust rapidly so the unavoidable temporary inflation that the devaluation will cause will be just that—strictly temporary, not permanent. Inflation primarily harms wage earners and those who have the least. We must do everything necessary to see that prices and the value of our currency stabilize in a very short period of time.

To better face the situation, the government is today beginning to implement the Economic Emergency Program. The program has three basic goals: to reduce the current account deficit in an orderly manner to manageable levels in the short term; to create conditions for a quick economic recovery and employment; and to ensure that the inflationary effect of the devaluation will be as minimal and as brief as possible.

The application of the Economic Emergency Program must be based on a broad concerted agreement process. Congress is to play a fundamental role in this process in line with the powers and offices the Constitution has bestowed on Congress. Therefore, in observance of Subparagraph 4 of Article 79 of the Constitution, I will ask the Permanent Commission to summon the Federal Congress to a special period of sessions. During this period, the executive branch will issue a detailed report on the situation in order that the honorable Congress may resolve issues related to the Economic Emergency Program which are up to Congress to resolve.

This meeting with representatives of productive sectors and the intense work that preceded it are part of the social agreement process that will be an essential part of the Economic Emergency Program.

It is very encouraging to learn that representatives of productive sectors have decided to put on record their

commitment to solitarily face current circumstances in an Agreement of Unity To Overcome the Economic Emergency. Their joint responsible participation and firm commitment show that we Mexicans know how to come together to face the big problems and meet our greatest challenges. By signing this Agreement of Unity, each productive sector is expressing its full awareness that in the year that is just beginning, everyone must make sacrifices and scrupulously fulfill our commitments.

Thanks to the Agreement of Unity, we will prevent an uncontrolled race among the exchange rate, prices, and salaries. Holding back prices and salaries, as agreed, surely implies sacrifices. But these sacrifices will be less than what spiralling inflation would cause. In the agreement, the business sector promises to sacrifice profit margins, while the workers' sector promises to follow salary guidelines aimed at ensuring that the inflationary impact of devaluation will be minimal and strictly temporary. We all need to stress the patriotism and solidarity of workers in the city and countryside to protect the country's jobs.

That attitude is consonant with the purpose of first preserving and as soon as possible multiplying the source of employment in Mexico. That attitude is an example that deeply commits all of us. As for the federal government, it pledges to lower its spending to accelerate the adjustment in the current account so the adverse effects of the adjustment on other sectors is not as great. The spending reduction will also allow the federal government to make a sacrifice in terms of fiscal revenues so the adjustment in prices and tariffs for goods and services provided by the public sector is gradual and moderate. In the agreement, we decided to develop mechanisms to raise competitiveness as well as to expand the goals related to job training. The agreement also foresees the removal of regulatory and bureaucratic obstacles which inhibit the creation of new sources of employment. We have pledged to intensify the war on unfair trade practices, which seriously harm local producers. At the same time, we will adopt new measures to strengthen the competitiveness of industries that hire a large-scale labor force and which have major potential as exporters. In addition, we have agreed to establish mechanisms to promote overall systems of advisory services to support small and medium companies. We have also agreed to promote an administrative modernization process in the federal government to improve efficiency in public and citizen assistance services.

Growth and employment demand that the country build an adequate infrastructure. We must honestly admit that the country has a backlog of significant deficiencies in its infrastructure which are limiting its potential for growth and employment. We must recognize with equal honesty that the federal government lacks sufficient resources to independently undertake the construction of this infrastructure to achieve an overall and balanced development among the regions of the country. As a matter of

fact, in view of the essential needs of the people, today's unquestionable priority is to funnel greater resources toward meeting the basic requirements of social development. In order not to halt the expansion and modernization of the country's infrastructure, the Economic Emergency Program includes proposals to encourage the participation of private investment in railroads, telecommunications, ports, and airports. To make the necessary adjustment more efficient and less severe, the government will seek the backing of the financial authorities of our main trading partners, the international bodies to which Mexico is a member with full rights, and the commercial banks.

It is worth nothing that, in view of the economic emergency, the international support we are obtaining will make it easier for the efforts of the Mexican people to bear fruit and to reestablish, as soon as possible, orderly and stable financial conditions for our economy. I must stress that these measures and actions are compatible with the certainty that the Mexican economy is capable of performing and competing successfully in today's world. Thanks to everyone's work, and despite today's problems, our economy is based on solid foundations and the decided and the responsible participation of all productive sectors. The Economic Emergency Program will make it possible to resume as soon as possible our goals of growth and employment. Mexico must grow in a firm and sustained fashion, because only growth will generate the resources we need to resolve our shortages. Only growth will generate employment so we can have an economy in which everyone has greater participation. Only growth will create the opportunities to advance toward a more just and equitable society.

Our development will be as rapid as our efforts and our savings permit. The development to which we aspire must be complemented with our daily work and our struggle to make things better.

Mexico's development demands that we acknowledge, with full realism, that we are not a rich country but, rather, a country with dire needs and shortages. We have to comprehend that it is imperative that all of us make an effort to do the many things still required to build a progressive and equitable society. We always have to bear in mind that a very large part of the Mexican population lives in poverty. We have to understand that our reality and, even more so, our current situation, requires that we concentrate on working hard and saving. We also have to comprehend that this requires much more from those who have more.

It is my responsibility to acknowledge that the economic crisis will entail sacrifices from all of us. More important than the president's image and the prestige of government officials is my commitment to act with responsibility, without circumventing or trying to hide reality.

Just as this crisis imposes sacrifices, it also presents opportunities, and we have to identify and take advantage of these. We have to turn today's emergency into the

great opportunities of tomorrow. In this sense, one clear opportunity is that it will liberate our economy from the dead weight imposed by the overvalued exchange rate. This dead weight hindered the structural changes—changes we implemented with such great effort—from engendering more dynamic economic growth. This crisis gives us the opportunity to permanently correct this overvaluation and to establish firmer bases with which we can initiate a process of economic expansion and job creation.

The Economic Emergency Program has been designed by Mexicans and is to be implemented by Mexicans who are clearly aware of our reality and will stick to our development priorities. As president of the republic, I am fully aware that many of the measures and actions we have to implement are difficult and will require great efforts. Nevertheless, I am also fully aware that these measures and actions are imperative. This program is the best option for overcoming the current circumstances quickly, efficiently, and with orderly control. We have to implement this program and be strengthened by the conviction that any other path would make it more difficult to overcome our current difficulties and would further delay the initiation of our development and the creation of the jobs we require.

Ladies and gentlemen, we have spoken the truth. I have spoken the truth, and I truthfully tell you that we can have confidence in the fact that we will overcome this economic emergency with the announced measures and actions. I know that this truth will keep us united, and that we will learn how to better unite to make the necessary efforts.

In the coming months, the government's economic strategy will be focused on restoring the conditions that will allow us to achieve stable growth. We, the Mexican people, already know what it means to live with high inflation, and, in no way, are we willing to return to this. The efforts we must make to combat the current economic situation must unite us in order that, together and with firm determination, we can promote Mexico's full political development. Let us supplant rancor and division with reconciliation and unity.

The efforts demanded from us by the current economic crisis must encourage us to strongly promote the reforms necessary in other areas of our nation's reality. This applies to our recent justice system reforms, and this should also apply to our democratic system. I am positive that in order to overcome the economic crisis we must begin a substantial, immediate, and fully participatory process to build the democracy all Mexicans want.

We must acknowledge the calls of those who are discontent in light of the limitations of our democratic system. We must unite our efforts to advance in the establishment of a democratic system that enables us to overcome past offenses and strengthen the exercise of the civil rights of Mexicans. Instead of fueling old disputes or

passing on fears that divide us, let us nourish our democratic convictions by showing our respect for diversity, exercising tolerance, and building political order.

I am calling on all political parties, their leaders, and activists, and I am calling on all players within society, including those who have strayed from the institutional norms, to immediately begin a frank, open, respectful, and intense discussion of all of those topics that can contribute to establishing the democracy all Mexicans deserve. [applause]

Our democratic system must be based on a respectful dialogue, respect for the rights of everyone, and the full acceptance of our social diversity. Our democracy must honor the Mexico of yesterday, satisfy the Mexico of today, and strengthen the Mexico of tomorrow. All political forces must contribute to transforming, by seeking common goals and by joining efforts, the current adverse economic situation into a great qualitative leap toward the great nation we all want for our children. This is why all of us must unite our wills and contribute our fair share. Let us unite our efforts, our determination, and our aspirations. This is indeed worthwhile. Our children will thank us tomorrow for the efforts we must begin now and which we begin together today. Many thanks. [applause]

Labor Secretary Speaks

PA0301233495 Mexico City Radio ACIR Network in Spanish 1913 GMT 3 Jan 95

[Speech by Labor Secretary Santiago Onate Laborde from the Adolfo Lopez Mateos Room of Los Pinos presidential residence in Mexico City on the occasion of the signing of the new Agreement of Unity To Overcome the Economic Emergency—live; broadcast in progress]

[FBIS Translated Text] ...this imbalance has been observed at various phases in countries with successful economies. This has not caused concern on those countries' markets because capital flow has occurred as direct foreign investments or long-term credits.

Nevertheless, in Mexico a high percentage of this flow occurred through investments in short-term financial instruments. This created a dangerous situation because concern arose among some investors that the capital flow would eventually reverse.

Moreover, there was a marked increase in interest rates in the United States beginning in early 1994. That increase resulted in considerable financial problems, particularly for the country's so-called investment funds. They were compelled to sell substantial portions of their stock portfolios in developing countries. This created problems for these countries in gaining access to financing.

Given the situation, concern rose among many investors who thought the capital flow to Mexico would decrease. In addition, everyone knows about the political events

and violence in 1994 that fomented mistrust among market participants. Thus, as a result of certain events, there were considerable losses of reserves. The decrease of reserves, in turn, generated more doubts that the capital flow could possibly continue.

To counteract this situation, the government initially intended to implement a progressive correction in 1995 by gradually adjusting the current accounts deficit and restoring confidence to give more durability to the capital flow from abroad. The strategy unfortunately failed, given the size of the accumulated imbalance and the political events which precipitated the capital flight. The margin of action for slowly and progressively resolving the problem was exhausted.

Under the predictable conditions of the future, the current account deficit cannot exceed the financing available under the new circumstances, which is less than the amounts of recent years. Given the above, reduction of the current account deficit is unavoidable.

Likewise, the devaluation will necessarily have an inflationary effect. Nevertheless, the reduction of the current account deficit and the transitory inflationary impact can happen in two ways; the first is in an orderly manner which, albeit with considerable sacrifices, allows the reinstatement of stability and growth in a short period; the second is in a disorderly manner that would be most detrimental to the population's lifestyle and which would postpone the possibility of improvement for a long time.

In addition, an administrative modernization process will be sponsored within the federal government so unnecessary formalities are eliminated when rendering public services and fulfilling the citizenry's needs, thus encouraging the efficiency of the same.

The federal government will implement an adjustment of fiscal revenues so prices and tariffs of assets and services rendered by the public sector are established with the goal of alleviating inflation. Likewise, distortions concerning its international references will be minimized. The services and tariffs that were being adjusted on a monthly basis until 1994, according to the programmed inflation, and which are an essential part of the family basket will be increased in such a way that the year's accumulated increase does not surpass the increase of income available to workers who receive the minimum wage.

With the intention of preventing a reexportation of products offered by the public sector—due to a difference between their prices and the international references—prices and tariffs that were adjusted according to this reference will now be adjusted in such a way that they do not exceed 95 percent of their international reference. To avoid subsidies to consumers residing in the United States, the price of gasoline at our country's northern border will be established as before; that is, equivalent to the price at the U.S. southern border.

The federal government acknowledges the need to modernize and widen the basic infrastructure, and the country's services, as an essential precondition to encourage economic growth. In this respect, the government commits itself to foster private investment and efficiency in areas such as railroads, telecommunications, ports, airports, and financial institutions through the following measures. It recommends legal reforms to the Constitution that will allow investments and private participation in railroads, and satellite communications. Likewise, efforts will continue to promote private investments in port infrastructure. In order to improve the quality and opportunities in telephone services, and extend the infrastructure, legal reforms will be promoted, in mutual agreement with the sectors involved, to immediately promote and direct competition at the local telephone level. Likewise, competition will be opened in domestic and international long distance telephone services based on Telefonos de Mexico concession terms.

Beginning with the progress made in decentralizing the Mexican port system, the process to encourage private investments in the ports will be expedited. In the next 60 days, notices will be posted related to public bids to operate the container terminals in the country's four main ports of Veracruz, Manzanillo, Lazaro Cardenas, and Tampico Altamira. As you will soon notice, the necessary legal reforms will be promoted to ensure that the concessions, permits, and authorizations related to public services of general interest activities will be granted based on clear-cut, objective, and aboveboard guidelines with the criteria of efficiency, competition, opportunity, and honesty. In 1995, the public assets privatization process that has already been launched based on clear guidelines will continue. With the objective of strengthening the capitalization and competitiveness of the institutions in the Mexican financial system, proposals to reform the laws regulating financial activity will be presented before the honorable Congress to selectively allow greater participation of foreign financial intermediaries in the capital of the country's financial institutions. In all cases, measures will be taken to ensure that all payment operations will be conducted by institutions controlled by Mexicans. The federal executive will submit for the consideration of the honorable Congress initiatives to reform several laws aimed at strengthening tax revenues.

Evaluation of the situation: After having reflected on prior episodes of financial and exchange instability in our country, it must be acknowledged that when devaluations of the national currency have taken place followed by an inflationary spiral spurred by price and wage compensation adjustments, the country normally enters stages of prolonged economic recession, inflation, unemployment, and a severe decline in the population's income and standard of living. For that reason, we believe it is imperative to adopt a program that, with everyone's effort, will effectively respond to the magnitude of the challenge and the severity of the current

problem. The situation requires an extraordinary effort by all Mexicans to make an orderly economic adjustment.

The adjustment will be drastic to reduce its duration as much as possible. The crisis must be confronted and controlled immediately by accepting the inevitable sacrifices demanded by the situation. If this were not done, we would fall into spiraling inflation which, in turn, would increase the cost of the adjustment, most of all for those who have the least.

Only through decisive and unified actions will this crisis be overcome in the near future, and only in this way will the conditions necessary for achieving sustained growth with stability [word indistinct] be reestablished.

The various sectors have understood the decision adopted by the financial authorities to maintain a flexible exchange regime. If the Emergency Economic Program is effectively carried out and the public sectors comply with their respective responsibilities as established under the present agreement, we can achieve the gradual recovery of the stability of the financial markets.

On the other hand, we are convinced that if we are able to rapidly overcome the instability of the exchange market and keep a lid on the temporary inflationary effects of the devaluation, we can take advantage of the opportunities offered by the Emergency Economic Program to quickly recover growth and price stability while expanding exports and efficiently substituting domestic products for imports. At the same time, we will promote more investments, more growth, and more jobs.

We Mexicans have strengthened the economy's productive capacity through structural reforms which have increased our efficiency and competitiveness. We have an export sector which before the devaluation was increasing its sales in our main foreign markets at an average rate double those observed in the exports of other countries.

We have solid foundations for overcoming the present difficulties and for advancing toward sustained growth and wellbeing based on a sound policy.

Thanks to the efforts of all Mexicans, in recent years our country was able to punctually meet its international financial commitments. The good credit rating we have achieved has also been strengthened by the structural changes in our economy which, despite the current financial difficulties, continue to provide a solid base for recovering stability and renewing growth.

The recognition of this credit rating has produced the possibility of satisfactorily concluding negotiations that will allow us to receive foreign financial resources. Therefore, a stabilization fund worth approximately \$18 billion is being created through the use of the North American Financial Support Agreement. This fund includes \$6 billion from the U.S. authorities and 1 billion Canadian dollars from the Bank of Canada. They

will also contribute \$3 billion and 500 million Canadian dollars, respectively. The International Bank of Payments, with the guarantee of some of the central banks of the member-countries, will contribute \$5 billion. The international banking system will contribute \$3 billion.

The necessary adjustments to the corresponding authorizations will be requested from the honorable Congress in order to consummate this financing. This fund, added to the Bank of Mexico's reserves of \$6.148 billion, as of the close of business in December 1994, totals approximately \$24 billion, which can be used to support the stabilization of the financial markets.

It is important to point out that these resources are not the resources to be used to finance the current account deficit. The deficit is expected to be financed mainly by direct foreign investment and by contracting a measured public and private debt.

Mexico will seek the support of multilateral financial organizations to which our country is a full-fledged and rightful member.

With this support, and with the additional resources that will be obtained, we will be able to advance more rapidly in stabilizing the financial markets.

Based on all this, the parties have agreed on the following objectives:

1. To implement the current unity agreement to overcome the economic emergency with the highest sense of justice and equality through a vast concerted effort—one that will allow the various economic sectors to share in the responsibility of preventing the greatest burden of the adjustment from falling on the shoulders of the least favored sectors.

2. To prevent the devaluation from prompting spiraling inflation and instability in the exchange rate. A quick and orderly adjustment of the current account will be achieved. This will allow us to see, as soon as possible, the benefits of the currency exchange activities in terms of more jobs, [words indistinct] production, not only in exporting firms, but also in those that compete against imports and in tourism enterprises.

3. To reestablish confidence to promote orderly financial markets, reduce the impact of the sacrifices imposed by the adjustment, and to spur vigorous economic growth.

4. To promote the necessary structural changes so that the economy will increase its competitiveness with the rest of the world, preserve production and employment, and speed up the creation of permanent jobs.

To achieve these objectives, the parties have reached the following agreements:

Prices and salaries: As a necessary condition to create permanent jobs, expand the country's productive capacity, and attract new investments, the labor and

management sectors confirm the 20 December agreements by the National Minimum-Wage Commission.

In addition to the 24 December base salary agreement, labor and management sectors will productivity use bonuses and incentives when negotiating contracts, and this will be done in accordance with specific indicators that are freely negotiated and agreed upon by the parties in each industry and labor center.

Within the framework of the national agreement to raise production and quality, the government of the republic promises to support and give advice to productive sectors on productivity measurements and increases. With this goal in mind, the National Productivity Commission [Comision Nacional de Productividad] will be founded.

The federal government, aware of the need to increase manual labor productivity, will increase the number of training scholarships. In 1995, 700,000 scholarships will be granted to urban and rural workers who are currently unemployed or who require additional training for their jobs. This is an increase over the 500,000 scholarships originally budgeted for 1995.

In face of the unavoidable temporary effect that devaluation will have on costs for businesses, the business sector pledges to carry out an extraordinary effort not to unjustifiably increase prices. In order to comply with this, the federal government, together with representatives of the industrial, business, service, and agricultural sectors, will establish guidelines and rules so that price increases reflect only changes caused by increases in imported raw materials. The Office of the Federal Attorney for Consumers will vigorously supervise compliance with these guidelines and rules.

The business sector agrees to promote the adoption of strategies in corporations, industries, factories, and marketing firms to produce and distribute the basic products required by the low-income population. The federal government will strengthen rural provision programs [words indistinct] and programs to advise and inform people about the quality and price of merchandise. The federal government and the productive sectors agree to promote campaigns to get firms and consumers to give priority to national products and raw material in their purchases when they are competitive in terms of quality and price.

The Social Security System will be preserved as an endowment of the Mexican workers. We will strengthen the operations of the Institute of the National Fund for Workers Housing and the National Fund for Development and Guarantee of Worker Consumption. The federal government will maintain its aid to allow the peasant sectors to further agricultural projects. Additionally, it will increase its support through Procampo [Program of Direct Support to the Countryside] to 400 new pesos per hectare for the 1994-1995 Fall-Winter cycle and to 440 new pesos for the 1995 Spring-Summer cycle.

We will continue our efforts to extend Procampo starting in the 1995-1996 Fall-Winter cycle.

The agricultural sector, through its organizations, will promote the adoption of production and marketing strategies for its products. This will be accomplished with agreements and mechanisms throughout the entire chain, starting with production, consumers... [Radio ACIR breaks away from the live relay and returns to its studios with Onate in mid-sentence]

Finance Secretary Interviewed

PA0401063095 Mexico City XEW Television Network in Spanish 0430 GMT 4 Jan 95

[Interview with Guillermo Ortiz Martinez, secretary of finance and public credit, by announcer Jacobo Zabudovsky in Mexico City; from the "24 Hours" newscast—live]

[FBIS Translated Text] [Zabudovsky] We already know the contents of the Emergency Economic Program. We would like to hear from you some details on the program in general. Could you tell us where the 1.3 percent reduction will come from, and what is meant by credit reduction? Could you explain those concepts?

[Ortiz] Certainly, Jacobo. First, I would like to say that as we all know, the problem developed because, during the past few years, we have experienced escalating deficits in our current account. Our imports have exceeded exports. This has been financed primarily with foreign capital, which in many cases has ceased to enter the country. In 1994, the influx of capital into the country dropped, as the president already explained, because of external and internal pressures. For this reason, the Bank of Mexico [Banxico] had to withdraw from the foreign exchange market. Our peso has been floating for the past few days, which has caused a substantial devaluation.

To amend this situation, it is imperative that Mexicans reduce expenditures in general. In other words, we must cut our spending to attain a sustained balance of payments. This will require efforts from all of us. It became clear this morning that workers have committed themselves to do their part, and businessmen did the same. In addition, the government must reduce spending—current expenses and investments—in order to reduce the deficit and attain a sustained balance of payments.

[Zabudovsky] We would like to know where the 1.3 percent reduction will come from. What are the branches that will be affected?

[Ortiz] Out of the 1.3 percent, approximately 0.8 percent of the GDP will result from a reduction in the government's current expenses, while the remaining 0.5 percent will come from a reduction in investments. Obviously, this means that we will maintain priority investments and will finish projects that are already under way. We will postpone new investments that are less urgent.

[Zabludovsky] In practical terms, what does the program consist of?

[Ortiz] The main objective of the program is minimizing the effects of the devaluation, which evidently are very painful and hurt the entire population. What is important and fundamental here is to implement an adjustment program that is strong enough to overcome within a few months the initial inflationary bubble, which we will have to face as the president of the republic has already explained. As I said, within a few months we should be able to return to a phase of sustained economic growth with stable prices.

[Zabludovsky] The truth is, Mr. Ortiz, that Mexicans suddenly find ourselves in this situation, like someone who awakens and finds an elephant in his living room. Could this have been foreseen? What really happened in 1994?

[Ortiz] As I said, in 1994 the influx of foreign capital dropped significantly. One of the external causes for this reduction was the increase in interest rates in the United States. You may recall that since the first quarter of the year there was a significant increase in the interest rates in that country. As a result, many investors who were investing in instruments issued by the Mexican Government and the private sector, as well as investing in the so-called emerging markets, stopped investing.

[Ortiz] Credit for the public and private sectors became more expensive. This situation was obviously worsened by the well-publicized political and criminal events. As a result, Mexico suffered a major reduction in the flow of foreign capital, particularly in the second half of 1994. This finally forced the Banxico to abandon the exchange system it had followed and to float the currency. This certainly came as a surprise to all Mexicans.

As President Zedillo has explained, the government's plan was to implement a gradual adjustment in 1995; that is, in 1995 the government planned to begin to control this deficit, which finally triggered the crisis. However, there was no time to do this, because capital flight was too abrupt. This forced Banxico—and I reiterate this—to abandon the market and float our currency, which finally caused the devaluation.

[Zabludovsky] President Zedillo said today there are difficult times ahead for all Mexicans. What should we expect?

[Ortiz] The immediate effect of the devaluation is that the prices of imported goods will increase in terms of national currency, thereby causing inflation. The important aspect here is that, under the agreement signed by the various sectors and the government this morning, all parties are committed to contributing their share to minimize these inflationary effects and to make them as short-lived as possible. We will see, I repeat, a price hike, which we hope will be moderate and short-lived. The important aspect here is that the implementation of the

program must be as intense as possible to enable us to benefit in the near future, because, yes, the devaluation does have benefits too.

What are the benefits of the devaluation? First, our exports will be more competitive. We will be able to sell more abroad, which implies more jobs for Mexicans and more income for the families involved. Mexican products also will become more competitive against imports in the interior of the country. This may help accelerate economic growth and lay the firm foundations we all expect.

[Zabludovsky] Could you tell us more about the sale of some state-owned companies?

[Ortiz] The economic program that has been endorsed by the sectors has several parts. First, a macroeconomic adjustment part, whose main components I have already described. Second, a part that seeks to increase the efficiency of our economy. As for this second part, we are attempting to promote private investments in some of the companies that are related to the country's basic infrastructure or telecommunications, such as railroad and satellite companies.

Obviously, the objective here is to make rail transportation more efficient and to promote private investment in the area of telecommunications, not only with regard to satellites, but also in terms of telephone services. Our goal is to promote within a short time greater competition in the area of local phone services; that is, we are seeking greater investment and infrastructure to improve telephone services in Mexico and later enter and compete in the long-distance telephone market.

[Zabludovsky] There has been no mention of Mexican Petroleum so far.

[Ortiz] Certainly not.

[Zabludovsky] Would you like to add anything, sir?

[Ortiz] Well, I would like to say that we are in a difficult situation, as the president has said. We cannot downplay or deny the fact that this situation affects all Mexicans, but we have also come face to face with a great opportunity. This opportunity, I repeat, is that the country will be able to grow on a solid foundation and that we will no longer depend so much on savings from overseas but, instead, we will depend more on our own resources, and through these resources we will generate more jobs. I believe that if all Mexicans cooperate—and we saw an example of this cooperation this morning with the signing of the pact, of the agreement—we will be able to overcome this crisis in the short-term and minimize its painful effects. In turn, we will soon enjoy the benefits that this devaluation of the Mexican peso will bring us.

I repeat: I believe that in the short-term we can begin a growth process that will be more vigorous and more sustainable, with stable prices, and thereby obtain the prosperity that all Mexicans hope for and are entitled to.

[Zabludovsky] Thank you, Mr. Ortiz. I believe this is the first interview you have granted since you became finance secretary.

[Ortiz] That is a fact, Don Jacobo.

[Zabludovsky] Thank you, and have a good evening.

[Ortiz] Thank you, sir. Have a pleasant evening.

[Zabludovsky] This was Mr. Guillermo Ortiz, the secretary of finance and public credit.

Labor, Business Leaders React

PA0401021895 Mexico City Radio ACIR Network in Spanish 0000 GMT 4 Jan 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] Representatives from various sectors have reacted to the agreement on the Emergency Economic Program, which was reached in the early morning hours of today. The first to speak was Carlos Jimenez Macias on behalf of the Labor Congress [CT]. He is also a leader of the Trade Unions Federation of Government Workers.

Basically, Jimenez Macias said it was necessary to maintain faith in our institutions. On the measures agreed upon, he described them as very demanding and said the working class will bear the brunt of the burden. For this reason, he agrees Mexicans must be united, but the working class should not be overburdened. Moreover, he said the credibility of the nation's institutions is now at risk.

[Begin Jimenez recording] The CT feels it is important to say now, at this hour of adversity, that only unity and national confidence will enable us to overcome this crisis. Only people who are capable of struggling against and reacting to adversity with courage and [word indistinct] can overcome great hurdles. Fostering confidence and certainty has now become our major challenge. Only by way of realistic measures will we be able to achieve this. Only a prompt and orderly adjustment will make it possible to lessen the negative effects of the devaluation. [end recording]

Jimenez Macias also said the basic consensus dictates that we should act in good faith and with confidence and firmness, because the times in which we live demand it. Another person who spoke at the event at Los Pinos Presidential Residence was Hugo Andres Araujo, secretary general of the National Peasant Confederation. He spoke on behalf of this sector, which has seen its monetary resources seriously damaged. He said the agricultural and livestock sector needs to be reactivated. Not only will our exports depend on this sector, but also the future of the country in terms of our food needs.

[Begin Araujo recording] We are asking businessmen to implement a broad-based and imaginative policy of investment, without suspicion or fear, in the face of the

workers' reasonable demands for welfare. Ours cannot be a nation of defeated people. [end recording]

Last to speak was Luis German Carcoba Garcia on behalf of the Business Coordinating Council. Basically, he said all sectors must be united in this crusade to overcome the crisis. The business sector is prepared to do its share. We must face the emergency and regain stability as quickly as possible, and, of course, resume development. He also backed the request to support the country's industrialists, especially small and medium-sized companies that were left in the lurch with so many loans that they will now be unable to pay since the Mexican peso nosedived against the dollar. We must, he said, persevere to create a modern and competitive economy that is primarily upheld by our own capacity. This means a market economy that is socially oriented, with balanced public finances and price stability, and is competitive both inside and outside of our borders, and this will allow us to regain confidence and trust in ourselves. Most of all, the nation's sound growth should be promoted by having certainty in the economy and creating productive jobs, as well as by raising the standard of living of all Mexicans.

[Begin Carcoba recording] All of us are in the same boat—the government and the governed, employers and employees, large and small companies. For this reason, all of us have agreed to do whatever is necessary to enable Mexico to overcome this crisis that will be temporary if, in a new display of unity, we place the supreme interests of the fatherland above special interests. [end recording]

This is what was said at the Los Pinos Presidential Residence at approximately 1300 today. We had been expecting this announcement since yesterday afternoon, but, because of the tough negotiations among the productive sectors, the confirmation of the pact, and the outlining of the Emergency Economic Program, the announcement was delayed until today.

PAN, PRD Leaders Criticize Plan

PA0401024095 Mexico City Radio ACIR Network in Spanish 0000 GMT 4 Jan 95

[Report by Juan Carlos Escobedo; from the "Evening News Panorama" newscast]

[FBIS Translated Text] The national leaderships of the PRD [Party of the Democratic Revolution] and the National Action Party [PAN], are expressing various views on the president's Emergency Economic Program. The PRD agreed with President Zedillo that one solution for the country would be to implement a democratic electoral reform, which is necessary to maintain the governability of the nation. This was stated at a news conference by PRD President Porfirio Munoz Ledo, following a meeting of the PRD National Executive Committee convened to review the Emergency Economic Program presented by the president.

Meanwhile, the PRD also argued that the Emergency Economic Program has one basic shortcoming—namely, that it is based on the same neoliberal economic theories that have been proven wrong. In this regard, Munoz Ledo stressed that the PRD's past predictions of pending economic problems have finally come true.

Munoz Ledo said the PRD will present an alternate economic program to move from the era of pactism [pactismo] to one of democratic and rational development planning. He also called on the economic and political forces of the country to create a movement in the defense of the political and economic sovereignty of the country.

Nevertheless, Porfirio Munoz Ledo recognized there is at least one point of basic agreement in the proposal made by the president of the republic.

[Begin Munoz Ledo recording] We agree with the president on one issue: The solution for the country begins with the establishment of a truly democratic regime. Within such a context, the country's great challenges can be resolved peacefully. Following the adoption of this program, which is based on the methods of the past, if the government is truly prepared to resolve the differences and social conflicts that this program will generate and exacerbate, then a solution is possible. [end recording]

Meanwhile, the PRD legislative wing in the Senate announced this morning it will file a political suit against former President Carlos Salinas at a session of the Permanent Commission. This lawsuit will be discussed during the special sessions convened by the president.

Meanwhile, a news conference called by national PAN leader Carlos Castillo Peraza ended a few minutes ago. He presented a document stating the position of PAN's National Executive Committee regarding the economic program announced today at noon. The document said the program is temporary and does not exhibit the basic characteristics of an in-depth economic program that tackles the problems related to the overall economic strategy that spawned the economic crisis. The document further notes that, considering these are temporary measures, no timeframe has been established for the program to remain in force.

In this regard, PAN believes that, given the temporary nature of the program, it should not exceed four months. Castillo Peraza asserted that during this period of time, PAN will support every ethical economic measure that will help overcome the crisis. He added, however, that PAN will point out what it considers to be unfair or erroneous proposals and measures. To begin with, he said it was inappropriate for the signatories of the agreement to accept a tax increase without specifying the amount of the increase and without identifying those taxes that will be modified or affected.

Castillo Peraza demanded that the government further explain this matter before Congress. He also noted that

the agreement to reduce public spending does not clearly establish the economic areas that will be affected. According to the PAN leader, while spending cuts are being announced, increases in programs that have clear electoral or political ends, such as Procampo [Program of Direct Support to the Countryside], are also being announced. In this regard, the PAN leader reiterated his party will only support the Emergency Economic Program over the next four months, and, after that time, it must show visible signals that the economic crisis is being overcome.

PRI President Supports Plan

PA0401153395 Mexico City XEW Television Network in Spanish 0430 GMT 4 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The president of the Institutional Revolutionary Party [PRI] said she hopes the Mexican economic crisis is temporary.

[Begin PRI President Maria de los Angeles Moreno recording] We hope it will help create conditions for sustainable growth with stability and, above all, that it will improve the general welfare of a majority of Mexicans, which is, after all, what we all strive for. The PRI recognizes the need for the agreed upon economic measures but also recognizes that they will have undesirable social effects. Therefore, the party demands the selective application of such economic measures to ensure the lowest possible impact on those areas directly associated with social welfare and job creation. The PRI calls upon management, business, and basic goods and service distribution sectors to refrain from unnecessary price increases, which can only harm low income households. [end recording]

Secretaries Cited on Plan

PA0401041095 Mexico City Radio ACIR Network in Spanish 0000 GMT 4 Jan 95

[Report by Ema Galvan; from the "Evening News Panorama" newscast; passages within quotations recorded]

[FBIS Translated Excerpt] There have been a host of reactions to the signing of the Agreement of Unity To Overcome the Economic Emergency, as it is being called. Commerce Secretary Herminio Blanco believes that to finance the current account deficit, foreign investments of between \$7 billion and \$8 billion will be required. Interviewed at Los Pinos, the Secofi [Commerce and Industrial Development Secretariat] secretary said this new agreement of unity will contain an export program to help boost all productive sectors. This is what the commerce secretary said:

[Blanco, in progress] ... "such exports. We will be going to every sector throughout the country to combat all export barriers. For example, you know COMFEX [Mixed Commission for Foreign Trade Policy], which has

worked. We are going to promote COMPEX even more through weekly visits by different officials to all states and thereby closely monitor each of the export programs and the current needs of exporters to eliminate obstacles. This is the strategy we will follow to promote exports."

Finance Secretary Guillermo Ortiz Martínez said the agreement for unity will let the nation overcome the crisis in the near-term, because it includes the basic elements required to overcome the problem. He also said the banking sector is committed to seeking effective schemes to help small and medium-size businesses meet their commitments in the difficult period ahead and to give them greater choices in terms of restructuring in face of the crisis.

Coparmex [Employers Confederation of the Mexican Republic] President Antonio Sanchez Diaz de Rivera said the situation is very challenging, and therefore we must take advantage of this to create a more realistic economy. He said the business sector had been issuing warnings about the peso's overvalue and the balance of trade, and now the results are here for all to see. He said it is important that there be no tax increases, as had been proposed. Training scholarships for workers also will pay off in productivity. He believes the agreement is adequate, given Mexico's circumstances, but that it is not totally satisfactory.

[Galvan] "Will this have any repercussion on the negotiations carried out to [words indistinct]?"

[Sanchez] "This greater opening, which will help Mexican financial intermediaries attract capital and become more competitive, obviously will have repercussions in terms of the competitiveness within the financial sector, and through this competition it can reduce costs for the nation's productive and export sectors. Many thanks."

Concanaco [Confederation of National Chambers of Commerce] President German Gonzalez Quintero said the \$18 billion that is coming to Mexico will definitely serve to restore investor confidence and, in turn, stabilize the economy. He said this will only be temporary, however, until there is real confidence in the Mexican economy and dollars begin to return to Mexico. He also said it is difficult to forecast growth at this point because it will depend heavily on foreign investment. He said only a 1.2 percent growth rate, or 2 percent at most, can be achieved through the nation's efforts alone.

[Gonzalez] "December entailed very great sacrifices for most people, including large chain stores that made great contributions and large sacrifices. These sacrifices, of course, will continue, but only up to the point that the solvency of each and every business can be guaranteed. I believe that closing businesses and creating unemployment would pose an even greater problem. Sacrifices will be made in accordance with each businessman's limits. Our pledge is to only modify prices in proportion with how the products were affected by the devaluation—in other words, the imported goods.

[Galvan] "How long do you believe it will take to recover?"

[Gonzalez] "These are two different things to be considered. Stabilization should take three months at most. Recovery should take all year and acceptable growth should again be seen in 1996."

Luis German Carcoba, president of the Business Coordinating Council, said everyone must comply with their commitments, beginning with businessmen. He predicts that inflation will run between 15 percent and 18 percent, growth will hit 1.5 percent, and interest rates will remain high. Here is what he said:

[Carcoba, in progress] "...which we already have and which we trust is adequate. We must always keep a realistic view of all domestic and foreign economic circumstances. Right now, the situation is delicate, but it is important to stress that it has a solution. During the 18 to 20 hours we spent discussing, commenting, and reaching agreements, we were seeking precisely that—a way out. We were studying so many options. [Words indistinct] to first control the adverse effect of the devaluation, the loss of confidence in the system, and the loss of stability, and then recover them, which will be followed by an immediate recovery in terms of growth.

Obviously, now that imports are more expensive, we can at least be more competitive when it comes to exports and thereby give an important boost to the productive apparatus, provided we control inflation. If we do not control inflation, we will waste this entire effort."

There were also reactions from the labor sector. Francisco Hernandez Juarez, leader of the telephone workers, said he felt frustrated, but he nevertheless had to sign. He hopes Telmex [Mexican Telephone Co.] workers are not hurt by foreign investments.

[Hernandez] "This program makes me feel very uneasy, but we had to decide whether or not to back the program. We decided to support it, but under certain conditions that we frankly hope will prevent us from returning to a situation similar to the one we are experiencing today." [passage omitted]

Economic Analyst Criticizes Plan

PA0401054095 Mexico City EL FINANCIERO in Spanish 3 Jan 95 p 20

[Report by Miryam Hazan]

[FBIS Translated Text] The Emergency Economic Program signed yesterday by the government and the country's productive sectors has recessionary characteristics, will translate into an economic growth rate of zero for several years to come, and will entail a number of social costs that cannot yet be determined, according to Jose Luis Calva, director of the Institute for Prospective Research at the National Autonomous University of Mexico's School of Economics.

According to the analyst, the exchange adjustment was a necessary economic policy measure because of the growing deficit in the current account, which actually amounts to 8 percent of GDP. Nevertheless, he pointed out that this decision will not resolve all problems and that it could bring about negative consequences if an IMF or World Bank adjustment program is implemented.

According to Calva, no assessment of the country's economy should become a public trial of former President Carlos Salinas de Gortari but of the economic model his administration implemented.

"We cannot return to an adjustment period similar to the one of 1983, when they promised us a paradise that never came true."

Calva was one of the few economic analysts who constantly warned of the dangers of overvaluing the peso and the possibility of a financial collapse if the problem was not resolved. In fact, his views in this regard during a telephone interview broadcast by Radio Red prompted Salinas himself to call the program to complain and demand that Calva be silenced.

To resolve the current crisis in Mexico, Calva proposed five basic measures:

1. To set a flotation range for the peso based on an estimated devaluation of 40 percent vis-a-vis the exchange rate prior to 22 December, which would be adjusted in line with the inflationary differential between Mexico and the United States.

This measure would give credibility to the economic policy and assurances to national and foreign investors, because it would be a real exchange policy that would take into consideration the inflationary differential with our main trading partner, Calva explained. This would also benefit the economic and financial planning of businesses.

2. A reduction in interest rates because, while users of credit in Mexico pay 24.21 percent in real interest, real interest in the United States averages 4.25 percent.

This reduction would be made after the exchange rate stabilizes, which would help diminish the risk factor, and after the margin for financial intermediaries is reduced to a consistent average of 7 percent.

To do this, Calva proposed obtaining an agreement among the producers, bankers, and the government to enable the creation of a rescue fund to resolve the problem of overdue portfolios.

"Prior to the financial crash," he added, "the total overdue portfolio of the banking system equaled more than 60 percent of its net assets. If interest rates are kept high and this agreement is not reached, the overdue portfolio will grow, thereby leading many banks to bankruptcy."

3. A review of trade policy, not in the sense of renouncing the commitments made under NAFTA and GATT, but in the sense of taking the greatest advantage possible of the protection margins Mexico has prescribed in guidelines, safeguards, and provisions against unfair trade practices—in other words, to practice fair trade.

4. To apply an industrial and agricultural development policy similar to those in the United States and Canada, which would promote the building of the infrastructure and include fiscal incentives for technological innovation, among other things.

5. Public investment should not be limited but increased, as stipulated in Ernesto Zedillo's program. "We cannot turn fiscal balance into a fetish; all successful countries have a deficit in this sector ranging from 1 percent to 4 percent of GDP, and this helps them regulate normal economic cycles," Calva maintained.

In addition, if it all boils down to restoring the confidence of investors, it is better to do it by strengthening the economy and not through variables that bring nothing to the country and hinder its growth.

\$15 Billion Needed For Foreign Debt

PA3112191494 Mexico City LA JORNADA in Spanish
30 Dec 94 p 27

[Report by Juan Antonio Zuniga and Roberto Gonzalez Amador]

[FBIS Translated Text] Financial officials of the public sector revealed yesterday Mexico will need \$15 billion in 1995 to pay the interests on its total foreign debt, because its international foreign exchange reserves are at the lowest level since 1988.

The devaluation measures will prompt a drastic reduction in the trade balance deficit, but this reduction is insufficient to guarantee the continuance of payments of a foreign debt which, while increasing due to the fact more pesos are needed to purchase \$1, will lack the same level of support derived from foreign investments registered in the last few years, the officials explained.

As President Ernesto Zedillo said yesterday, the current account deficit became too large and unbearable, given the domestic and foreign circumstances.

Those officials who were questioned released figures in this regard indicating the economic growth experienced during the previous six-year presidential term was supported by the acquisition of foreign resources, by means of contracting the foreign debt and investments, amounting to more than \$104 billion. The country stopped being an exporter of capitals during that term and became an importer of capitals, given it imported slightly more than \$50 billion.

The amount of foreign investments that flowed into the country from 1989 to 1994 seems to be eloquent. Mexico received during that period approximately \$90-billion

worth of foreign investments, an amount of money that was used to repay approximately 80 percent of the current account deficit accrued during the same period.

I Was Rich Once

Seventy-six percent of these resources—that is, over three-fourths of them—was, however, foreign exchange that entered the stock and money markets, which have volatile characteristics due to their own nature.

Foreign investments earmarked exclusively for the financial and stock market circuits amounted to \$71.731 billion, while foreign exchange capitals earmarked for the production sector amounted to \$23.185 billion according to Bank of Mexico reports. In other words, three out of every four dollars that flowed into the country through these venues were earmarked for the stock market speculation, and only one of every four dollars made the economy's production capacity and job creation ability grow.

Innocent People

Basically, the combination of two factors became the detonating device that triggered the current economic crisis in Mexico: the underestimation of the problem posed by the growing imbalance in the country's current account and the vulnerability of making the economic stability of foreign investments depend on the stock market.

To this effect, experienced analysts of the private sector have considered the underestimation of an imbalance as large as that of the current account placed the 1995 economic program in a scenario where it was necessary to have \$30-billion worth of foreign savings to finance the deficit.

The difficulties to finance the imbalance generated by the balance of payments, in which the payments of the interests on the foreign debt played an important role, with foreign savings began in April 1994, when the Bank of Mexico was forced to use the approximately \$11.5-billion worth of reserves to restore the country's commercial and financial balance abroad.

International assets, which amounted to \$29.55 billion in February 1994, dropped to \$17.3635 billion in April, when the foreign exchange reserves began fluctuating around this amount, but following the assassination of Jose Francisco Ruiz Massieu, who was the secretary general of the PRI [Institutional Revolutionary Party], foreign investments stopped flowing into Mexico.

The strictness in which the fluctuation band of the peso vis-a-vis the dollar was implemented prevented a sound financing of the current account imbalance, as the foreign exchange rate was considered once more an objective rather than an instrument of the economic policies.

A Stampede

The devaluation of the national currency vis-a-vis the dollar amounted to 10.65 percent by 15 December, and

there were evident signs the Bank of Mexico was using significant amounts of reserves to keep the peso within the fluctuation range.

The now former finance secretary, Jaime Serra Puche, had presented the 1995 economic reforms package in the Chamber of Deputies a few days before, on 9 December. The package contemplated keeping the fluctuation range and the peso's pattern of devaluation, a 4-percent economic growth, a 4-percent annual inflation rate, and the creation "of at least" 800,000 new jobs.

In addition, the package estimated the current account deficit of the balance of payments would amount to approximately \$30.5 billion in 1995. The package indeed underestimated not only the amount of this imbalance but also the adverse situation the country would have to face to attract these resources.

Serra appeared before the plenum of the Chamber of Deputies on 14 December to explain the 1995 economic policies package and told the senators who were questioning him: "I want to tell you that what is included in this economic program represents a new phase in the Mexican economy. It is a phase that is indeed based upon the stability achieved in the last few years."

It seems the amount of Mexico's financial and commercial deficit abroad was being minimized while the already achieved stable foundations were being overestimated. That stability former President Carlos Salinas de Gortari propagated until the last day of his term was supported by the \$104.458 billion obtained abroad, 69 percent of which was invested in the stock market and by the level of reserves amounting to slightly more than \$17.2 billion by the end of his term.

In less than a month, \$12.2-billion worth of reserves flowed out of the country, and \$23.7 billion flowed out of Mexico throughout 1994. Mexico has a foreign debt exceeding \$140 billion, reserves amounting to approximately \$5 billion, a currency devalued by 71 percent, and a question to answer: Who has plundered the country again?

Economic Crisis Harms Salinas Bid To Head WTO

PA0401042495 Mexico City LA JORNADA in Spanish
3 Jan 95 p 25

[Report by Jesus Aranda]

[FBIS Translated Excerpt] A month has elapsed since former President Carlos Salinas de Gortari left the Presidency, and although his government often "lobbied" at international forums and with neighboring countries for him to head the World Trade Organization (WTO), the Ernesto Zedillo administration has not issued any instructions to its diplomatic representatives to support the former president's candidacy.

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This was learned from high-level Foreign Secretariat officials who added that the Mexican Government's position on Salinas de Gortari's candidacy for the WTO presidency could be defined within the following days because several countries—Brazil, among them—have confirmed their support for his candidacy.

On this issue, Foreign Secretary Jose Angel Gurria stated in a recent interview in Brazil that Salinas de Gortari had attended the inaugural events in that country as a special guest.

Despite the Mexican Government's timid efforts to promote the former president's candidacy in recent days, the Mexican foreign secretary asserted in Brasilia: "We are trying to unite all of the forces in the nations of the hemisphere to adequately promote the candidacy (of Salinas de Gortari) and to exert more influence in the countries that are about to make a decision."

The countries of the continent support the candidacy of the former Mexican president to head the WTO beginning in March, following the expiration of the mandate of GATT General Director Peter Sutherland.

The Foreign Secretariat officials also noted that "it will be difficult" for the former president to get to the presidency of the world organization that will replace GATT, especially with an economic crisis in Mexico and the fact that several sectors are directly blaming the former president for the current situation. [passage omitted]

The officials interviewed admitted that with the devaluation of the Mexican peso and the difficult economic situation the country is experiencing, Salinas de Gortari's image has been tarnished, and this will surely result in a loss of support for his candidacy at the international level.

They added that in the eyes of the world, Mexico is now very different from the one they perceived during the Salinas administration, and, therefore, the former president no longer has the same points in his favor.

The officials said the Zedillo administration's decision to downplay Salinas de Gortari's candidacy most likely will not be publicized, but they underscored that, in practice, if Salinas de Gortari's candidacy is not supported at international forums and with countries that are close to Mexico, it will be very difficult for him to reach the WTO presidency.

Avendano: Time Appropriate for Peace Talks

PA3112192494 Mexico City Radio ACIR Network in Spanish 0000 GMT 31 Dec 94

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] Tuxtla Gutierrez—According to Amado Avendano, the former PRD [Party of the Democratic Revolution] gubernatorial candidate, the time is appropriate for starting peace talks immediately,

because both Mexican Army and EZLN [Zapatist National Liberation Army] troops have withdrawn from several municipalities of Chiapas.

Interviewed in the municipality of (Tepisca), Avendano has said that the withdrawal of the two forces provides an opportunity that should be taken advantage of by the National Mediation Commission [Conai] to start talks immediately and that the two sides will probably sit down at the negotiations table in two or three days to secure the peace the people of Chiapas so eagerly seek, taking into consideration the commission has already established communication with the EZLN and the federal government.

He also has said the terms for the talks will be announced as soon as possible. Such terms have not been reported yet, and, consequently, it is not known whether the sides will accept them.

Marcos Asks People To Suspend Hunger Strikes

PA0301182695 Mexico City EL FINANCIERO in Spanish 31 Dec 94 p 31

[Message issued by EZLN leader Subcommander Marcos "to the men and women on a hunger strike and fast for a Dignified and Just Peace" from "the southeastern mountains" on 30 December]

[FBIS Translated Text] 30 December 1994

To: The men and women on a hunger strike and fast for a Dignified and Just Peace

Mexico

From: Rebel Subcommander Marcos,

Zapatist National Liberation Army [EZLN] General Command

Southeastern mountains

Mexico

Brothers:

On behalf of all the men, women, children, and elders of the EZLN, I address you with respect.

We have not failed to notice your effort and sacrifice to draw the attention of the contending Armed Forces to the need for a new opportunity to talk on the long road toward the achievement of the democracy, liberty, and justice sought by Mexicans. Our heart has heard the appeal made by your fasts and hunger strikes to demand that the gigantic war machinery be stopped. We, the smallest ones in these lands, have again been compelled to walk on fire so we can be heard. Since January 1994, when we stopped our just war against a bad government, we have been sincere in the search for a solution that entails neither death nor destruction of Mexican lands. Time and again, in various ways and in the form that our clumsy steps allowed us, we sought to open a dignified door rather than that of war. Time and again we were met with mockery, deceit, and contempt. With sorrow, our hearts turned back to the mountain and spoke of our dead, saying the mighty should not be trusted. We were compelled, again, to dress for war. Again we had to put dignity before life.

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The new year's "Enough!" had to be repeated in the cold afternoon of 1994. Our heart heard the abandonment of other brotherly voices and, to protect that humiliating loneliness, our banner waved in more mountains of the Mexican southeast. The bad government's weapons were faced by our weapons, ready to speak of death. Then your clamor reached our hearts, and we listened attentively. Our hearts are still willing to find a DIGNIFIED and JUST political solution to the conflict and to achieve a true, democratic, free, and just peace for all the Mexicans.

We now pledge a temporary truce. The threat of war begins to disappear, just as it came. It is necessary to drive it even further away; it is necessary to achieve dignified conditions for a new, stable truce that will lead to a true, respectful, and serious dialogue. Thus, we address you with our hearts and ask you, with respect and sincerity, to suspend your hunger strike and fast; and, now that you have achieved a smidgen of peace, save your strength to create the conditions for a stable truce.

These conditions involve social groups other than the EZLN and your should address your demands to them. We will wait. We will not attack. That is what we ask you, Mexican brothers and sisters. Suspend your fast and lead, like in early 1994, the struggle to stop the war. We will always listen to you.

Respectfully,
From the southeastern mountains of Mexico
Rebel Subcommander Marcos
EZLN General Command
Mexico, December 1994

EZLN Addresses Communiques To Newspapers

PA0301211395 Mexico City *EL FINANCIERO* in
Spanish 31 Dec 94 p 31

[Passages within italics as published; all quotation marks as published]

[FBIS Translated Text] To PROCESO weekly newspaper
To *EL FINANCIERO* national newspaper
To SCLC TIEMPO local newspaper
30 December 1994
Gentlemen:

The following are a number of communiques. Did you miss me? What is happening? Crime, economic crisis, political crisis, danger of war, lack of credibility, devaluation, capital flight, distrust. Is this not what was supposed to happen if the opposition gained power? I receive with amazement the "objective" news that the supreme government blames us for the new devaluation of the peso. I solemnly swear to reduce my bank account, not in dollars but, because of that remark regarding "messianism," in "marcos." Besides, given my popularity on the international financial markets, I will launch a campaign of "Hurrah for risk and uncertainty!"

Buy new pesos! More information from the World Trade Organization. Otherwise, we are well. In addition to having to elude helicopters, airplanes, and light armored vehicles, now we have to deal with dogs. The government pursues the Zapatists with dogs, just like slaves fighting for freedom were pursued in the past. That is not the saddest part. What is even more of an indignity is that the dogs are better fed than the men and women they pursue. "Dietary differences" say the experts in useless promises and useful devaluations.

Greetings. Health and a veeeeeery [as published] Happy New Year (from this moment on, 1 January has a different meaning, does it not?)
From the mountains of southeastern Mexico
Insurgent Subcommander Marcos
Mexico, December 1994

P.S. Who, commissioned by the "sup" [not further identified], replies to the "patriotic" business front: If I were the main cause of unemployment in Chiapas, I would be president of Coparmex [Employers Confederation of the Mexican Republic], not a "professional in violence."

P.S. Speculators and Dollar Suckers. I urgently communicate with the Committee. "We are blamed for the devaluation of the peso compared to the dollar," I tell each one of them looking into their eyes in an attempt to find the party guilty for the country's economic mess. No one replies, they all stare at each other. El Beto interrupts and asks: "What does dollar mean?" Only the whir of the blades of heavily-armed helicopters is heard in reply ...

P.S. Who, with straining eyes squints through the mist, sees and hears the following: An illustrious man—a banker, a distinguished member of the most powerful, criminal, cynical social class in the history of mankind, that is to say, a capital financier—delivers these words, almost spitting them out:

"The problem with the Mexican economy is called Subcommander Marcos."

The death sentence has been pronounced. Money begins to find the price of the bullet that will eliminate the "problem." At the same moment that Mr. Banker pronounces his sentence, Antonio's son shivers beneath the rain and the cold in the mountains of southeastern Mexico. Antonio's son trembles, but not from fear. He shivers because there is no fire tonight to drive away the cold, to shelter from the rain, to light up the night. Marcos draws near to Antonio's son and sits next to him.

"It is cold," Marcos says.

Antonio's sons agree in silence. Under the black plastic, which forms another nocturnal roof under the roof of rain and cold, are the two men who are the same man. There is no fire, that is true. But old Antonio approaches with a different warmth in his hands: the word. Old Antonio places the word on the ground. In the middle of the three men he begins to speak, he begins to spread

warmth and comfort with words that embrace the men like girlfriends, like companeras. The warmth fills the chest and the eyes. Antonio's son and Marcos sleep under the night and the cold of a Chiapanesque December.

Old Antonio speaks to guide and watch over their dreams. His voice leads Antonio's son and Marcos by the hand into former times. History flies backwards until it reaches 10 years before this cold, this night, and this sleep. It goes back in time until it reaches...

The History of Words

The night caught them talking.

"My flashlight has no batteries," Antonio's son says hopelessly. "I left mine in my knapsack," Marcos says, looking at his watch.

Old Antonio returns with watapil leaves. Silently, he starts building a small shelter. Antonio's son and Marcos help him. With reeds and sticks shaped into forks at the ends, little by little, a shelter takes shape. Later, they gather wood. The rain and the night have been joined for a long time. At last, beneath old Antonio's expert hands, a small flame turns into a bonfire. Marcos and Antonio's son sit where they can, close to the fire. Sitting on his haunches, old Antonio speaks and lulls the night and the stillness with this story, this tradition ...

"The true language was born at the same time as the primal gods, who created the world. From the first word, out of the primal fire, other true words were formed. From these, like kernels separated from the corn by a farmer's hands, other words were formed. At first there were three words, but three more words were born 3,003 times. Thus the world was filled with words. A large stone received all the steps taken by the primal gods who gave birth to the world. The stone grew smooth from so much walking that it shone like a mirror. The primal gods threw the first three words against this mirror. The mirror did not reflect the words thrown upon it, but instead returned three times three different words. The gods continued to throw words against the mirror so new words would spring forth until they became bored. Then a great idea arose in their minds, and they began to walk upon another stone until they had polished it into another great mirror, which they placed in front of the first mirror. Then the gods threw the first three words into the first mirror and the mirror returned three times three different words which, because of the force they carried, were thrown against the second mirror, and the second mirror returned three times three the number of words it had received, thus more and more different words were tossed between the two mirrors. In this way the true language was born. It was born from the mirrors.

"The first three among all existing words and in all languages are democracy, freedom, and justice.

"Justice is not punishment. Justice is to return to each person that which belongs to him, and each person

deserves what the mirror returns to him: himself. He who spreads death, misery, exploitation, arrogance, and pride deserves a period of punishment and sadness on his journey. He who works, lives, struggles, and is brotherly deserves a small light which will always illuminate his face, his chest, and his journey."

"Freedom does not mean one can do as he pleases. It means that one is able to choose any path to find the mirror, to walk toward truth, but a path that will not lead you to lose the mirror, that will not lead you to betray yourself, your loved ones, or others.

"Democracy means a meeting of the minds to reach an agreement. It is not everyone thinking the same way but all minds, or most of them, being able to seek and reach a common agreement that is good for the majority without eliminating the minority. Let the command come from the majority. Let the staff of command be in the hands of all, not in those of a single person. Let the mirror reflect everything, those who travel the paths and the paths themselves. Let the mirror be the reason for thinking, thinking within oneself and thinking out loud.

All words stem from these three words. The life and death of true men and women are chained to these three words. This was the legacy that the first gods, those who created the world, gave to true men and women. Rather than a legacy, it is a heavy burden. It is a burden that some abandoned in the middle of the road. They leave it there as if it was just anything. Those who abandon this legacy break their mirror and walk blindly forever, without knowing who they are, where they are going, or where they came from. But there are those who always carry the legacy of the first three words. They always walk bent over because of the great weight on their backs, just as when they carry corn, coffee, or firewood, when they fix their look on the ground. Looking so small because of the weight they carry, always looking down because of this weight, these true men and women are big and are always looking up. It is said that true men and women look and walk with dignity.

"The first gods, those who created the world, said the three words had to be protected so the true language would not be lost. The mirrors of the language could break some day, and then the words to which they gave birth would break just the same and the world would be left silent without words to say. Consequently, prior to dying for living, the first gods delivered the first three words to the men and women of corn to take care of them. Since then, the true men and women guard these three words as a legacy. So that these words will not be forgotten, they walk with them, they fight for them, and they live them..."

When they woke up, old Antonio was cooking a paca. The wood was burning and at the same time old Antonio's back, which was wet from rain and sweat, was drying. Day was breaking. When Antonio's son and Marcos woke up, they felt something heavy on their

shoulders. Since then, they have been looking for a way to ease that burden... They are still looking..

Antonio's son wakes up and stretches. He shakes Marcos, who, sitting next to a pine tree, had fallen asleep with a pipe in his mouth. The helicopters and the barking dogs interrupt the morning and the sleep. One must continue walking... One must continue dreaming...

EZLN Committee Announces 1-6 Jan Truce

PA0301211295 Mexico City EL FINANCIERO in Spanish 31 Dec 94 p 30

[Communique issued by the Clandestine Indian Revolutionary Committee-General Command of the EZLN "to the Mexican people" from "the mountains of southeastern Mexico" on 30 December]

[FBIS Translated Text] 30 December 1994

To the Mexican people:

To the peoples and governments of the world:

To the national and international press:

The Clandestine Indian Revolutionary Committee-General Command [CCRI-CG] of the Zapatist National Liberation Army [EZLN] hereby announces the following:

First—As of 19 December 1994, a group of Mexican men and women have been protesting in various ways, including a fast and a hunger strike, to call for the reestablishment of a truce as an immediate measure for creating a new opportunity for dialogue and a political solution to the conflict.

Second—From the moment it was recognized by the contending parties, the National Mediation Commission has insisted that the threat of imminent war should be eliminated in order to reach an agreement on a new, stable truce that will definitely lead to a serious and responsible dialogue between the parties.

Third—Various international groups have requested a truce and dialogue as the means for solving the conflict.

Fourth—The EZLN cannot remain indifferent to calls by the most outstanding members of national and international civilian society or to the sacrifices of men and women who deprive themselves of food in an effort to obtain a new opportunity for peace.

Fifth—Therefore, the CCRI-CG of the EZLN has ordered its military forces in the areas of Los Altos, the north, and the jungle to suspend all offensive military operations as of 1 January 1995 through 6 January 1995, inclusive. During this period of time, the EZLN publicly commits itself:

Not to attack any of the current positions of the government forces;

Not to set up any roadblocks or take any military action that will obstruct the highways;

To maintain the necessary distance to prevent possible clashes with government forces.

Sixth—The EZLN reaffirms its willingness to create the conditions for a stable truce that will make possible a new, serious, and responsible dialogue for peace with justice and dignity for all Mexicans.

Democracy!

Freedom!

Justice!

From the mountains of southeastern Mexico

CCRI-CG of the EZLN

Mexico, December 1994

Bishop Ruiz Accepts Government Request To End Fast

PA0401151995 Mexico City XEW Television Network in Spanish 0430 GMT 4 Jan 94

[From the "24 Hours" newscast]

[FBIS Translated Text] We have received the following bulletin from the Government Secretariat, datelined 2 January. It states:

National Mediation Commission

San Cristobal de Las Casas, Chiapas

Concerned about the fast by Bishop Samuel Ruiz Garcia, I am sending you this note to inform you that President Ernesto Zedillo Ponce de Leon's ratification of the commitment that the Mexican Army will maintain its unilateral cease-fire and the orders given to the National Defense Secretariat to suspend all mobilizations, to maintain present positions, and not to carry out any additional action is in correspondence with Zapatist National Liberation Army [EZLN] documents that include orders for withdrawal from advance positions and for the suspension of military offensive actions from 1 to 6 January 1995, inclusive, as well as a reaffirmation of its willingness to contribute to the creation of conditions for a stable peace to make a new dialogue possible.

Within this framework, it is evident that progress has been made as a result of efforts by both sides to ease tensions. This has meant making commitments regarding actions and operations by the Mexican and EZLN Armies.

We believe both sides could agree on extending the period for actions that contribute to a dialogue for peace.

We hope that in view of our common objectives, Bishop Samuel Ruiz Garcia will suspend his fast so he may dedicate all his energy to the National Mediation Commission and to building peace with justice and dignity in our fatherland.

Respectfully yours,
Government Secretary Esteban [first name as heard]
Moctezuma

The bulletin sent yesterday to Bishop Ruiz ends here.

Mr. Ruiz concluded his fast this evening. San Cristobal de Las Casas Bishop Samuel Ruiz Garcia announced this evening that he is suspending the fast he maintained for the past 15 days. This is what he said at mass:

[Begin Ruiz recording] We have observed on both sides serious attitudes in favor of a peaceful solution to the conflict, and these attitudes have been backed by deeds. That is why I am lifting the fast for peace today. [end recording]

The bishop, who is also president of the National Mediation Commission, said the Mexican Army and the EZLN are disposed toward finding a stable truce.

[Begin Ruiz recording] The warlike atmosphere is fading. It has not disappeared completely, but it is fading. [end recording]

The bishop said there is much to be done to achieve a general reconciliation among Chiapas communities. He urged the Mexican people to do whatever they can to contribute to peace.

Sectors Begin Talks on New Phase of Social Pact

PA3012153094 Mexico City XEW Television Network
in Spanish 1300 GMT 30 Dec 94

[Report by Jose Miranda; from the "Upon Awakening" newscast]

[FBIS Translated Text] Santiago Onate, labor and social welfare secretary, has said representatives of the official, business, workers, and peasant sectors began holding formal negotiations on 29 December for the signing of a new phase of the social pact. The negotiations would reportedly contemplate certain changes.

During the morning meeting held by the commission in charge of following up and evaluating the pact, it was reported that achieving a stable foreign exchange par value, agreeing to new mechanisms to prevent an inflationary bubble [burbuja inflacionaria] through a consensus, and responsibly responding to producers and consumers constitute priorities contained in the new document of the pact.

The labor secretary added the goal is for prices and salaries to change at a rate different from the foreign exchange rate. The government's economic plan also contemplates the rationalization of public spending, the implementation of special measures to attract domestic and foreign investments, and, above all, the launching of Mexican products abroad under more attractive conditions. Profeco [Office of the Federal Attorney for Consumers] will keep inspecting and monitoring prices.

All production sectors have been called to convene at the Labor Secretariat on 2 January 1995 in order to analyze together the behavior of the economy and, if possible, to sign another phase of the economic pact.

Authorities Arrest Matamoros Cartel Leader

PA0301171495 Mexico City XEW Television Network
in Spanish 0430 GMT 3 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] A harsh blow has been dealt the Matamoros Cartel with the arrest of one of its leaders, who is one of the five most important drug traffickers in Latin America. He was arrested in Reynosa, Tamaulipas while visiting some relatives during the Christmas holidays; he was transferred to Mexico City this evening.

He is Jose Luis Ferrer Aguilar, alias Jose Luis Duron Guerra, who acted as second in command of the Matamoros or Gulf Cartel. He was the lieutenant of Juan Garcia Abrego, one of the most important drug traffickers sought after in Mexico and the United States.

Duron Guerra coordinated cocaine routes through Colombia, Guatemala, Mexico, and the United States and sent approximately 20 tons of cocaine to this country.

Jose Luis Duron Guerra, as he is known in criminal circles, was transferred to Mexico City for questioning about the Gulf Cartel's connections. Later, he will be taken to the Almoloya de Juarez maximum security prison in Mexico State.

The investigations which led to the arrest of Jose Luis Ferrer Aguilar were possible due to cooperation at the international level and by Quintana Roo, Veracruz, Tabasco, Nuevo Leon, and Tamaulipas States. Ferrer Aguilar is one of the DEA's most wanted, according to reports from the PGR [Office of the Attorney General of the Republic]. Procedures for his extradition are sure to be initiated.

Foreign Secretariat Plans Closer Ties With Latin America

PA3112233494 Mexico City LA JORNADA in Spanish
30 Dec 94 p 5

[Article by David Aponte]

[FBIS Translated Text] President Ernesto Zedillo's administration will reorient Mexico's diplomatic, economic, and political relations with Central and South American countries. The Mexican Government intends to develop ties with the region that are "more specific and of better quality," according to new plans developed by the Foreign Relations Secretariat [SRE].

These arguments emphasize the fact that this part of the hemisphere now enjoys a privileged position in economic, trade, and democratic development.

The Mexican Government will take more pragmatic actions in its relationship with the region because today there exist conditions under which it can "benefit from the purchasing power of each country".

But diplomatic analysts explained that the chancellery is trying to "renew" its ties with Central and South America, which were neglected under Salinas, when activities focused on relations with the United States and Canada in establishing the North American Free Trade Agreement (NAFTA).

A specific and obvious example is Mexico's relations with Brazil. The analysts noted that no high-ranking representative of the Brazilian Government attended President Ernesto Zedillo's inauguration.

Notwithstanding, they said that, in keeping with the new Mexican diplomatic strategy, the new head of the SRE, Jose Angel Gurria, will travel to Brazil this weekend to attend the 1 January inauguration of President-elect Fernando Henrique Cardoso.

In this context, the chancellery's plans, as expressed by the current head of Mexico's foreign diplomacy, emphasize that Mexico has deep roots in Latin America and relations which have apparently borne political fruit. The Zedillo administration wants more specific and better quality ties than in the past.

"It is not enough to have good relations only at the leader and chief of state level, and it is not enough to speak the

same language. The fact of the matter is that today the continent occupies a privileged position with regard to a number of factors and parameters," such as the economic situation, the growth of economic trade, and the development of democracy, according to the analysts.

Current economic and political conditions allow for easier and more efficient ties among the countries of the American continent. The analysts note that, in addition, the trade environment in all countries in the region is moving in the same direction: toward integration.

They explain: "We used to talk a lot about our ties with Latin America because we loved her. We were culturally, historically, and in numerous political points of view bound to her. But no conditions existed that allowed us to benefit from the purchasing power of each country."

The SRE's plans add that in all cases the basic goal of foreign policy will be to safeguard sovereignty and the ability to make decisions, and to establish ties with the rest of the world from an autonomous and independent position.

Costa Rica

Officials, Business Leaders React to Mexican Crisis

PA0401031595 Mexico City NOTIMEX in Spanish
0029 GMT 4 Jan 95

[FBIS Translated Text] San Jose, 3 Jan (NOTIMEX)—A delegation of officials and businessmen will fly to Mexico next week to assess the falling peso's impact on bilateral trade, Costa Rican business leader Marco Ruiz stated today.

The business leader told NOTIMEX the purpose of the trip is to ascertain the impact of the strong devaluation of the Mexican peso on the competitiveness of Costa Rican products in that country, with which it has had a free trade agreement since 1 January.

"We believe Mexico's macroeconomic situation will tend to become stable within the next few days because of the measures Mexican President (Ernesto) Zedillo announced, and because of the support Mexico has received from the international community," Ruiz noted.

On Tuesday, Zedillo announced an emergency program to keep the peso's devaluation from leading to spiraling inflation and instability in foreign exchange markets. The peso's instability may make Costa Rican products more expensive in Mexico and reduce the price of imported goods manufactured in Mexico—something that worries the business sector because of its effects in the domestic market.

Ruiz and leaders of the industrial and farm sectors met Tuesday with Economy, Industry, and Commerce Minister Marcos Vargas and Deputy Foreign Trade Minister Francisco Chacon to assess the situation created by Mexico's financial crisis.

Ruiz said, "The Mexican situation is prompting us to deliberate on the recent events, because Costa Rica's currency, the colon, is overvalued and we need a more transparent exchange policy to avoid similar situations in our country."

He added, "We are going to monitor the situation in Mexico and proceed with caution, taking necessary safeguards to avoid hurting the local productive sector."

He stressed, "The big lesson of what has happened in Mexico is that we must keep foreign investments from shouldering most of the burden of financing the trade deficit and that we must give greater emphasis to fiscal control and to a policy of supporting exporters adequately."

Three days ago, Costa Rica and Mexico put into force a bilateral free trade agreement signed in April 1994, which allows the exchange of some 12,000 products.

Meanwhile, the Nicaraguan Government is maintaining a wait and see attitude regarding the emergency economic measures Mexico adopted to try to overcome its current financial crisis, an official source in Managua stated.

Oscar Aleman, foreign trade director of the Economy and Development Ministry, noted that Zedillo's measures should help overcome the financial crisis that began in December. Aleman added that "we will have to wait and see" the results of Mexico's Emergency Economic Program, which is designed to close the financial gap and control the deficit in the current account in an effort to limit inflation. We hope, Aleman added, the Mexican economic crisis "will soon be resolved" and that financial stability returns to that country.

Guatemala

Minister Rules Out Problems From Mexican Crisis

PA0401032995 Mexico City NOTIMEX in Spanish
2233 GMT 3 Jan 95

[FBIS Translated Text] Guatemala City, 3 Jan (NOTIMEX)—The Guatemalan Government has expressed confidence that the measures announced today by Mexican President Ernesto Zedillo will have a positive effect on that country's economy by protecting domestic exports.

"We hope that Mexico is able to correct its course to create the necessary economic growth and put a stop to the erosion of its economy," Guatemalan Finance Minister Ana Ordonez de Molina said today.

The official added that, when a neighboring country with an influential economy experiences a crisis of this magnitude, she can only hope that the problem will be resolved. The official said: "We hope the economic emergency program announced by Zedillo can be implemented soon."

Today, Zedillo announced an Emergency Economic Program aimed at balancing the current account, containing inflation, and promoting Mexico's economic recovery, following the crisis that resulted from the 50 percent devaluation of the Mexican peso.

Molina ruled out that the Mexican financial crisis will have any repercussions in Guatemala, although she recognized that the trade balance between the two countries may be affected by the devaluation of the peso.

Meanwhile, Mariano Rayo, coordinator of the Association of Research and Social Studies (ASIES), said the importation of Mexican goods to Guatemala could increase the trade deficit of this Central American nation. Given the financial crisis in the neighboring country, the price of Mexican products will drop, encouraging more purchases of these imports, "while our exports will become more expensive," Rayo explained.

Guatemala currently has a trade deficit with Mexico. Last year, Guatemala exported \$47 million worth of goods to Mexico and imported \$138 million worth of products.

Guatemala's exporting sector is extremely interested in seeing a resolution of the Mexican problem, the economic analyst asserted. He added that in the mid-term the Mexican crisis will generate a loss of confidence in Latin America among international investors.

He recalled that during the 1980's, Mexico was the nation that "started" the foreign debt crisis after recognizing its inability to pay interest on its debt. Other countries in the region immediately followed suit.

Army Denies Hindering Human Rights Work

PA0301005395 Guatemala City PRENSA LIBRE in Spanish 31 Dec 94 p 2

[FBIS Translated Text] "The Army has not hindered the work the UN Mission for Guatemala (Minugua) is conducting in the interior of the country," Army spokeswoman Berta Edith Vargas de Marroquin said yesterday, commenting on the accusations made by the leaders of the Maya Ombudsman's Office. The spokeswoman added that the Army will await Minugua's official report to issue a statement, because many accusations, as the most recent ones made by the Maya Ombudsman's Office against the Army, are baseless.

The Maya Ombudsman's Office accused two military officials [comisionados militares], identified as Adrian Cuxil and Maximiliano Socop, of threatening Minugua members who were conducting a routine mission in the village of Parrocal in Tecpan, Chimaltenango. The Army spokeswoman, however, insisted that formal charges should be filed to investigate the charges made by the Maya Ombudsman's Office regarding such a delicate matter as threats against Minugua members.

Mexican Official Reports Guerrilla Arms Cache

PA0301181995 Guatemala City PRENSA LIBRE in Spanish 31 Dec 94 p 9

[Report by Francisco Rojas and Mynor Ixcot]

[FBIS Translated Text] Rosenberg Colmenares, municipal president of Union Juarez, Mexico, reported yesterday that an arms cache belonging to the Guatemalan guerrillas was found in Mexico near the border with Guatemala.

Cartridges, weapons, and other military supplies were found at the site, which could be a Guatemalan guerrilla hideout.

The official said Mexican federal authorities have begun a thorough investigation and added that patrols by combined forces will continue on the border.

Honduras

Reina Discusses Role as Leader of Armed Forces

PA3012162994 San Pedro Sula TIEMPO in Spanish 29 Dec 94 p 4

[Report by Daniel Serrano]

[FBIS Translated Text] Tegucigalpa—President Carlos Roberto Reina yesterday said the president's role as Armed Forces commander general is not merely that of a figurehead, because he must exercise all the powers and functions the Constitution bestows upon him.

Shortly before leaving for the United States to have a nonmalignant tumor removed, the president gave this reply in response to statements by former President Roberto Suazo Cordova who has said the role of the Armed Forces commander general was that of a figurehead in avoiding responsibility for last decade's missing persons.

"With all due respect to the former president, whom I will not contradict, my opinion is completely different. The person chosen by the sovereign people to take charge is the president of the Republic, and he is the Armed Forces commander general," Reina said.

The president, who took advantage of the occasion to send a year's end message to the Honduran people, said the death penalty cannot be established in Honduras regarding the current wave of violence, because international agreements prevent its establishment.

Reina also said the death penalty has not helped reduce the level of violence in countries such as the United States.

In addition, he recommended that transportation workers, who have threatened to strike tomorrow if the government does not give them a subsidy, return to the negotiating table. "The government does not hold positions radically different from any other person's position; it is all a matter of finding solutions that most coincide with the interest of society," Reina said.

Likewise, he said the approval of the entire presidential cabinet will not create any problems with the Central Executive Council of the Liberal Party, because there has been no substantial complaint against it.

Reina added what occurred was the emergence of a thesis establishing that nationalists should not be included in the cabinet. "I do not agree with this thesis, because it is sectarian," Reina said, but the president may remove any minister at any time. "I am proud, however, of the work done by the ministers up to this moment," Reina said.

The president reiterated he has ordered the Armed Forces through its commander in chief, General Luis Alonso Discua Elvir, that no one will be allowed to block roads, public streets, or bridges, because that action violates the people's human rights.

Reina said, however, he has not ordered the suppression of workers. He said workers who are protesting should confine themselves to peacefully voicing their arguments.

Referring to the national cooperation forum announced for the beginning of next year, Reina said the forum will gather all of the nation's sectors so they can express their opinions on the point of parity that would satisfy all the economic forces.

"A president has to find a point of parity for the sake of social stability. For all those groups making demands, the state will have a wage policy we have discussed with the Council of Ministers, and this policy will be as just as possible," Reina said.

Foreign Minister Views UN Security Council Seat

PA3112031094 Mexico City NOTIMEX in Spanish
2201 GMT 30 Dec 94

[By Isai Angeles]

[FBIS Translated Excerpt] Tegucigalpa, 30 Dec (NOTIMEX)—Honduras will occupy a temporary seat on the UN Security Council in January, and thus, it will be able to fulfill its goal of erasing the negative images produced by its foreign policy.

In an unprecedented vote at this world organization on 20 October, Honduras was unanimously elected with 170 votes as a non-permanent member of the UN Security Council. This Central American country reached this position for the first time.

This development has marked a new era in the relations of Honduras, which seeks to adjust its clock to international realities following the Cold War, when this country consolidated its democratic regime.

This year, after the inauguration of President Carlos Roberto Reina on 27 January, Honduras started a previously unthinkable rapprochement with Cuba and China despite opposition voices that rejected any kind of ties with such countries.

Those contacts and the efforts to join the Security Council "seek to adjust the country's clock to that of international reality," Foreign Relations Minister Ernesto Paz Aguilar told NOTIMEX.

The official admitted that in the past, Honduras "lagged behind many world developments, and we now want to move at the same pace as world events."

Latin American governments and people in the past decade criticized Honduras for its open support to the U.S. policies of combating an alleged "communist threat" in Central America and other regions. [passage omitted]

"The previous government adopted very positive actions to improve Honduras' image, and such efforts have been consolidated by the presence and actions of President Reina," the Honduran foreign minister added.

The official said that "the country is in a position to recover credibility" and to maintain a new type of international relations with nearby countries and with countries outside the region.

"In the past, we were part of the problem, but we are now making efforts to be part of the solution, amid new world circumstances," Paz Aguilar said, as he noted that Honduran foreign policy has a 20-year lag.

The foreign minister said that Honduras will assume the presidency of the UN Security Council in June. He added that the country will insist on reforms of the enforcing body [organo ejecutor] and on the democratization of this world organization.

"We think that it is necessary to expand the number of Security Council members and the criteria of representation, efficiency, and equity should prevail," Paz Aguilar said.

In this regard, he added that Honduras would support Japan and Germany should the number of permanent members of the Security Council be expanded.

Panama

Envoy to U.S. Views Cuban Raft Situation

PA0401010195 Panama City Circuito RPC Television
in Spanish 2300 GMT 3 Jan 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] Panama does not know anything about U.S. negotiations to transfer the Cuban rafters out of our country.

[Begin recording] [Ricardo Alberto Arias, Panamanian ambassador to the United States] I do not know, and Panama does not have any substantive knowledge about these negotiations or about how advanced they are.

[Unidentified reporter] Basically, with what countries is the United States holding talks?

[Arias] The United States has not informed us. In general, various solutions are being sought to resolve the problem of the Cubans in Panama, and these include contacts with several countries, but we have not been told which ones.

This is part of a much broader program. It not only covers this possibility. As I understand it, it covers several things, various possibilities. I assume that one possibility is to take some of the rafters to the United States, but we have no details.

[Reporter] What information do you have about the appointment of Mr. Sasser as ambassador to Panama?

[Arias] The latest information I have on this issue is that Senator Sasser did not accept the post of ambassador to Panama because he has other concerns, primarily within U.S. politics, which interest him more.

[Reporter] Any other names?

[Arias] As of now, we have no news of any other candidates. [end recording]

Panama's ambassador to Washington, Ricardo Arias, also reported that Panamanian attorney Horacio Alfaro, who was detained in the United States because he represented a firm accused of violating U.S. tax laws, has been released.

Human Rights Committee President on Rafters

FA0201175895 Panama City Circuito RPC Television in Spanish 1100 GMT 2 Jan 95

[Interview with Osvaldo Velasquez, president of the Panamanian Human Rights Committee, by reporter Alexandra Ciniglio at the RPC Television studio; from the "Waking Up With the News" program—live]

[FBIS Translated Text] [Ciniglio] Thanks for being with us. What analysis can you make of the situation at the Cuban rafters camp?

[Velasquez] It is a situation that affects not only the Cuban rafters at the camps; it is a situation that has national and international effects. It affects the Cubans there, the Southern Command, which is guarding and taking care of them, and the Panamanian Government. It is a situation that is everyone's responsibility. It is also the responsibility of the UN High Commissioner for Human Rights [UNHCR], which has been somewhat negligent in this matter.

[Ciniglio] They say human rights are being violated, the reason for the recent incidents. What is your opinion?

[Velasquez] We agree with them. They are given physical facilities, food, etc, but the amount of space is bad. The worst thing is, however, they have no freedom. We believe they are living in a concentration camp. This statement is what we have said, and we maintain it. I could never live under such conditions. The right to freedom is a natural right. It is perhaps the most basic of all human rights.

[Ciniglio] What can be done then? They are still living in that situation, and their departure for the United States is quite slow.

[Velasquez] There are three solutions. They cannot return to Cuba, definitely not; that is prohibited by international documents regulating such matters. Thus, the remaining solution is to distribute them among all the countries that are signatories of these documents if the United States does not want to receive them. They must be distributed in accordance with what we refer to as equal distribution; that is, based on the resources each country has.

[Ciniglio] What guarantee do we have another country will not treat them the way they were treated here in Panama?

[Velasquez] The UNHCR has been quite negligent and is acting like an ostrich, behavior which cannot be permitted. It must impose its criteria.

[Ciniglio] Meanwhile, will the situation continue like this until March?

[Velasquez] There will be problems if no hope is given to them, if no short-term solution is sought. It is a time bomb.

Perez Balladares Discusses New Year Prospects

FA0101015995 Panama City Circuito RPC Television in Spanish 0022 GMT 1 Jan 95

[Interview with President Ernesto Perez Balladares by unidentified reporter; place not given; from the "1994 News in Review" program—live]

[FBIS Translated Text] [Reporter] We are interviewing President Ernesto Perez Balladares. We would like to talk about some of the government's plans for 1995, now that we are a few hours away from the new year.

[Perez Balladares] We will, of course, move ahead with our plans that are slowly growing more stronger and effective. We were fortunate to have signed the agreement to build the Panama-Colon Highway, which is a project the people of Panama have wanted and yearned for so much. We are going to continue providing solutions, and we hope to be able to obtain the results of the commissions on education that were created and that will have to propose the modernization of Panamanian education. This is a matter I feel is fundamental, not for my government but for the country and beyond 2000.

We think we have to do all this in an atmosphere of confidence, work, honesty, and struggle against corruption and against the crime wave in Panama.

[Reporter] How would you view a unified opposition in 1995?

[Perez Balladares] The elections are in 1999. I sincerely believe every democratic regime must have an opposition that can rise above its primarily partisan aspirations, namely its aspirations to take someone else's place—and of course there will be time for this in 1999—and see the goals of the nation and the work we must perform in this period to be able to put into practice the solutions we must provide and put into practice. The people are waiting for us to do that.

[Reporter] A year-end message to the Panamanian people.

[Perez Balladares] All I wish is the same things I wish for my family and myself: peace, tranquillity, prosperity, development, and family unity to have the country we all want, namely, a country where we all truly have equal opportunities and we all coexist in peace and national harmony.

Views New Highway, Projects

PA3012200194 Panama City TVN Television Network
in Spanish 1743 GMT 29 Dec 94

[Speech by President Ernesto Perez Balladares, marking the signing of contracts for the first phase of construction of a new Panama City-Colon highway, at a rally in 5 de Noviembre Park in Colon—live]

[FBIS Translated Text] Dear friends in Colon: We are proud to tell you here the time for promises is over. [applause] The answers you have avidly expected will begin pouring in as of today. [applause]

Today, we have signed the contract for the administrative concession to build the Panama City-Colon highway and the first phase of the northern corridor. This \$329-million investment constitutes the largest investment made in a single project since the construction of the Panama Canal. The government will not have to spend one penny on this project, but it will generate 2,000 jobs, primarily in Colon Province.

I have made promises, and I am keeping them. I will not spend five years talking about the previous governments, nor will I wait for the end of my term to criticize others for what I was unable to do. I have said the highway was going to be built, and in four months, we have already signed a favorable contract for the country, without receiving money under the table, as certain officials of the previous administration did. [applause] These are the same officials who are now seeking to judge my administration without any moral authority.

I want to ask these noble businessmen to promptly open here in Colon an office, when they recruit workers to build this highway, to give preference to Colon residents. Friends, the governments, particularly that of Enrique Jimenez, that have visualized the Colon Free Zone have always thought when they founded it its benefits would fall primarily on Colon Province and its residents; unfortunately, Colon Province has slowly become isolated from the Colon Free Zone and the Free Zone from the people of Colon. Many believe the Colon Free Zone has ceased to be a free zone for the benefit of Colon to merely become a free zone located in Colon. This situation must end and will end right away. [applause]

I am asking the general manager of the Colon Free Zone today, as of this moment not to allow any service oriented businesses such as banks, insurance and shipping companies, and others to establish themselves in the Colon Free Zone. Business of that type that are already established there will be asked to promptly relocate in the city of Colon. We will certainly compensate them for the investments they have made. We urge them to join us in this new spirit of cooperation between the private sector and the government and to establish their offices in the city of Colon and hire people from this city. This move will lead to an immediate reappraisal of properties in Colon and an increase in commercial activities.

We also expect these companies will help improve the entire city. We will guarantee security to the owners and employees of those companies. Thus, we all will contribute our share to help Colon rise alive from the ashes to become what we all hope for: the pride of the Panamanians.

Friends, you did not elect me to govern by ignoring the popular clamor but, rather, to reach a consensus among all sectors. Whenever this aim is not possible, I, as president of the Republic, will assume my responsibility. I am also firm in my convictions and defend them vehemently, but I also have the strength of character to come before you, my fellow countrymen, and tell you that every time it is necessary to correct the course, you will find a president who is willing to mend, not a stubborn, hardheaded, and arrogant president. [applause]

I will tell you the truth. Had I, as the president, realized the houses being built by the Housing Ministry resembled matchboxes and were inappropriate for human beings, I would have stopped their construction instead of sending the police to clobber demonstrators. [applause] Friends, I do not make mistakes twice, not mine and much less someone else's. As a result, a new housing plan featuring decent dwellings has already been designed for residents of Colon.

I have not come here to promise anything. I have come here to inform you about what we will start working on in a few weeks. We will invest \$20 million on housing in Colon this year, this year alone, the first year of our administration. This investment will generate employment, and all of us, the private sector, the government, and the people of Colon, will change Colon's appearance, and this point is, perhaps, more important.

We are going to build in Colon 20 new buildings with 40 decent and honorable apartments for the people of Colon.

I want to tell you there are 261 condemned buildings in Colon. We will eliminate many of these condemned houses, some of which I know inside out, this year thanks to this project. We will eliminate 103 such buildings, almost half of the condemned buildings. I am certain in my administration in two years we will eliminate the majority of these condemned houses, which are shocking to Panamanians, thanks to this project. [applause]

We will begin building 2,744 housing quarters on the island of Manzanillo next month, and they will not be built for pygmies; they will be suitable quarters, the type the people of Colon deserve. [applause]

There are other projects I have the pleasure of announcing here today. We are going to improve Colon's aqueduct system through the National Waterworks and Sewer Systems Institute. I know how it is to live with a poor aqueduct and a total lack of water.

Phase three of the project calls for initiating works which will permit the best possible distribution of drinking water in the city of Colon and which will reduce leaks,

resulting in increased water pressure and, therefore, enhanced availability of this resource, which is indispensable for human life.

We will start working on the construction of a 9-km long pipe between the Sabanitas Aqueduct Plant and Los Cuatro Altos. We will also build a 1-million gallon storage tank in Cativa. This project will improve water services to all the communities served by the Sabanitas Aqueduct Plant.

These two projects will benefit more than 60,000 people and will generate more than 100 jobs during the implementation phase.

In the education sector, Mr. Education Minister, next month, in January, we will initiate 56 projects ranging from the construction of schools to the repairing of roofs, school dining facilities, and others amounting to \$1.1 million. This action will generate 267 jobs.

Through the Special Supervision Fund [Fondo Especial de Vigilancia], we have approved a 4.7-million balboas apportionment to definitely repair, with asphalt and all, the Bateria 35-Achiote-Pina road, which is much needed by the people of the southern coastal region of Colon. [applause] This project will generate 75 jobs.

I am proud of the work performed by my administration, and I am proud of this team of men and women accompanying me.

When I asked these important officials to design a plan for Colon, all of them responded by preparing grand initiatives. I can say here with great pleasure today that this team has responded again in a way that makes me feel proud.

I know it will take a few weeks before the projects I have announced can be initiated. I also know these projects will provide jobs to many men and women who are now enlisted in the so-called scholarship plans. I am certain you want a decent job, not alms; therefore, even though the projects that will provide permanent jobs are not completed, we are going to use budget funds that could justifiably be used to show appreciation for and increase the salary of the ministers, to continue financing the scholarship program of Chorrillo and Colon. [applause]

Friends, hear this statement well. I believe the salary increase for the ministers is neither unfair nor undeserved, and I do not accept the opposition's criticism, because it is based on cheap politicking. I do know, however, whether it is more urgent to create jobs for the people of Colon and Chorrillo. We will use that budget appointment for the salary increase on this project while this permanent solution is being forged. [applause]

Dear people of Colon, to conclude by announcing here I am not going to engage in sterile debates or respond to demagogic prying from those who dedicated themselves for five years to lining their pockets and did nothing at all for the reconciliation of a country in crisis so that it could peacefully make progress.

This government was elected by you so it would work and put an end to the corruption we inherited, and we are working on this issue and achieving it quickly.

I convoke the people of Colon and all the Panamanian people, as we approach the new year, to work productively so we may find among all the Panamanians the solutions the country requires and our children deserve.

A happy 1995 to you. Thank you. [applause]

INTEL Files Tax Complaint Against 4 U.S. Firms
PA3012183694 Panama City LA ESTRELLA DE
PANAMA in Spanish 29 Dec 94 p A2

[Report by Jacqueline Clarke]

[FBIS Translated Text] Rogelio Avila, assistant manager of the National Institute of Telecommunications (INTEL), yesterday filed a 30 million balboa tax evasion complaint against four U.S. companies. The complaint was filed with the Finance and Treasury Ministry's Regional Revenue Administration Office.

Avila reported that Gateway, ATF, Satellite Vision, and TNC Information have failed to pay 10 million balboas a year in taxes for the past three years by using a telephone system known as "Call Back" [previous two words published in English]. The INTEL assistant manager also noted that other complaints will be filed against the more than 150 users of the "Call Back" system, "including large lawfirms and multinational corporations."

In 1995, INTEL will begin an aggressive campaign to pursue this network of enterprises "through the Treasury, which will be in charge of investigating them."

Avila explained that the firms that were reported are registered in Panama but are headquartered in the United States and have been conducting business by circumventing Law 14-87 which regulates international phone calls.

Meanwhile, Julio Ledezma, director of the Finance Ministry's Regional Revenues Directorate, pointed out that if the companies are found guilty of tax evasion, penalties range from fines, closures, and even imprisonment.

INTEL International Department Director Edilbrando Dennis explained that the "Call Back" system entails a person calling from "Panama to an assigned number in the United States. The caller allows the number to ring once, and then hangs up. After this, from the United States, the caller lifts the telephone and gets a U.S. connection to any city throughout the world, as if the call had been placed from the United States."

Dennis added: "In their efforts to circumvent the charges, which by law are applied to every overseas call from Panama, technical damages are being caused, because the phone systems are congested, and we lose all of those potential calls that are being made while the system is blocked."

Argentina

Ambassador to Iran Recalled to Buenos Aires

PY0401123895 Buenos Aires TELAM in Spanish 2252 GMT 3 Jan 95

[FBIS Translated Text] Buenos Aires, 3 Jan (TELAM)—It was officially reported today that the government has decided to transfer Argentine Ambassador to Iran Mario Quadri Castillo to Buenos Aires, following the attack that destroyed the AMIA [Argentine-Israeli Mutual Association] headquarters on 18 July 1994.

A diplomatic source pointed out: "Quadri Castillo was recalled for consultations in late July 1994 when the investigations into the criminal attack were initiated." The source noted that this measure was taken by the Argentine Government simultaneously with the withdrawal from Buenos Aires of Iranian Ambassador to Argentina Hadj Soleymanpur.

The official decision was implemented through Decree No. 2362, dated 28 December 1994, but was only announced today through the Press and Dissemination Undersecretariat of the Presidency. The decree bears the signatures of President Carlos Menem and Foreign Minister Guido Di Tella.

About 100 people were killed and about 200 injured in the AMIA attack.

Decree Reaffirms Sovereignty Over Falklands

PY0301134195 Buenos Aires TELAM in Spanish 2253 GMT 2 Jan 95

[FBIS Translated Text] Buenos Aires, 2 Jan (TELAM)—On the occasion of the 162d anniversary of the British occupation of the archipelago, Argentina today insisted on its decision to recover the Malvinas Islands through negotiations that will lead to a just and definitive solution.

A Foreign Ministry communique states that the Argentine Government "insists in its purpose of advancing in the dialogue with the United Kingdom, and of strengthening a relationship of mutual confidence and cooperation in the South Atlantic."

The communique was released on the eve of the anniversary of the 3 January 1833 forceful disembarkation of British troops onto Argentine possessions in the South Atlantic.

"The Argentine Government reiterates its permanent desire to recover the exercise of its sovereign rights through negotiations that will lead to a just and definitive solution to that territorial dispute," the document states.

It says that "the Argentine Government once again expresses its willingness for dialogue and cooperation with the inhabitants of the Malvinas Islands and for safeguarding their interests and welfare."

"This position is supported by the new constitutional text, which, in its first transitory clause, states the reaffirmation of the full exercise of sovereignty" over the Malvinas, South Georgia, and the South Sandwich Islands and surrounding maritime space.

Finally, the document states that the recovery of the sovereignty over the Malvinas Islands "is a permanent and irrevocable objective of the Argentine people," and it will be done "with respect for the way of life of the inhabitants, and in accordance with international law."

Menem Denies Possible Conflict Over Falklands

PY0401030195 Buenos Aires TELAM in Spanish 1853 GMT 3 Jan 95

[FBIS Translated Text] Buenos Aires, 3 Jan (TELAM)—President Carlos Menem today denied the possibility of a war with the United Kingdom because of that government's unilateral decision to extend its control over fishing to a zone of nearly 1,500 square kilometers located north of the Malvinas Islands.

The decision that was adopted last August "will not tarnish our relations with Great Britain," Menem said during a news conference at the Olivos residence.

On the occasion, the president reiterated his wish that "the Malvinas Islands again become part of Argentina, before the year 2000."

Menem stressed that "we will not have an armed conflict" with Great Britain, adding that the differences over the control of fishing in the northern zone of the archipelago "will be solved through dialogue."

Menem used these words to explain the decision adopted by the British Government in August to incorporate the "gap" [previous word in English] zone, located north of the Malvinas Islands, into its fishing control area "for preservation purposes."

Foreign Minister Guido Di Tella said today that with this decision, Great Britain "has created a situation of potential conflict."

"I would not like to exaggerate by saying the chances of a tragedy are imminent. This is an extremely annoying and risky situation," Di Tella told Radio America.

The foreign minister acknowledged that he had warned the U.S. Government about the possibility of incidents in the "gap" zone.

"It seems to me that we must keep the United States informed on developments concerning the conflict in the South Atlantic," the foreign minister said in justification.

Di Tella recalled that the Argentine Government informed the United Kingdom of the "inconvenience" associated with adopting of this decision because it implied "creating more problems" between the two nations.

"We are going to be careful. We hope we can avoid an incident, but will continue supervising and controlling the area in question," Di Tella said.

The foreign minister said Argentina's position regarding the Malvinas Islands sovereignty is "extremely firm: we are friendly with the islanders, but this does not mean our policy is soft. We have a very tough policy."

The conflict started when the British Government decided to incorporate the "gap" zone into its fishing control area "in order to preserve" the *Illex* squid, which is the islanders' main resource.

Up until August the zone was controlled by Argentine and British ships. These ships tried to capture trawlers illegally fishing for squid in the zone.

On that occasion, Di Tella rejected the British argument, saying that the unilateral decision was "a reprisal" for including a phrase reasserting Argentina's rights over the Malvinas Islands in the Constitution.

Di Tella Warns About Incidents Around Falklands

PY0301231795 Buenos Aires CLARIN in Spanish 3 Jan 95 p 9

[Report by Daniel Santoro]

[FBIS Translated Text] The government has warned the United States about the possibility of an incident between Argentine and British warships in the sea zone called "gap" [preceding word in English], located in the northern Malvinas zone, in the next few months.

High-ranking official sources told CLARIN that Foreign Minister Guido Di Tella conveyed a warning about the "danger" of such a situation to his U.S. counterpart Warren Christopher at a meeting between the two officials during the Miami summit on 9 December.

According to the government, the "gap" has been a "point of tension" since October, when Great Britain, for all practical purposes, added the area to its fishing control zone despite the fact that our government decided to maintain the order to the Navy to patrol it.

"Not To Withdraw"

From that date on, there has been a possibility that Argentine and British warships would meet face to face in the "gap" zone knowing that both navies have the order not to withdraw. This is why Di Tella asked Christopher: "What will happen if there is a confrontation and a ship is sunk?" The foreign minister answered his own question, saying that the U.S. Congress "would want you for a hearing (informative hearing) such as the ones you are attending over the Bosnian conflict." The conclusion was simple: In order to avoid a more serious crisis, the United States should use "its influence now" to try to convince the British to take a step back with regard to the "gap" issue and adopt more flexible positions in its fishing and oil negotiations.

Di Tella's commentary was the reason why, during the Miami summit, a high-ranking State Department official, in view of the critical situation in the South Atlantic, stated the U.S. willingness "to mediate"—it would, in fact, only use its good offices in an informal manner—between Argentina and Great Britain. Fishing agreements were broken in the zone for the first time in two years. We have the "gap" problem, and in March, we might have troubles regarding oil exploration.

Beyond probable future scenarios, the Argentine warning over the "gap" problem took on a new meaning over the past weeks when an Argentine warship "entered" the zone after months of patrolling with radar in search of poachers, military sources confirmed to CLARIN. The ship combed the "gap" and left the area without encountering any British ship.

The Navy also recognized the potential for conflict over the "gap" issue, although it trusts in its "cordial relations" with the Royal Navy.

This time President Carlos Menem does not seem willing to take a step back when confronted with this new British step forward, particularly in the midst of an electoral campaign in which he is seeking reelection. The president said, during the inauguration of an airstrip at El Calafate, Santa Cruz on 28 December: "We will never give up our rights in the southern seas, particularly in the area around the Malvinas Islands." Menem added: "We will constantly and permanently exercise those rights."

Menem Names Interior Minister, Presidential Secretary

PY0301160995 Buenos Aires TELAM in Spanish 1239 GMT 3 Jan 95

[FBIS Translated Text] Buenos Aires, 3 Jan (TELAM)—President Carlos Menem today announced that Carlos Corach, the legal and technical secretary of the presidency, will replace Carlos Ruckauf as interior minister.

In remarks to Radio 9.90, Menem indicated that Corach will be sworn in on 12 January.

[Buenos Aires TELAM in Spanish at 1330 GMT further reports: "During a news conference he gave today President Carlos Menem announced that Felix Borgonovo will replace Carlos Corach as legal and technical secretary of the presidency.

["Borgonovo, who is currently general under secretary of the presidency, will occupy the post that Corach will leave vacant on 12 January when he takes over the Interior Ministry, replacing Carlos Ruckauf, who has been named Menem's running mate."]

Bolivia

Alternative Crops in Chapare Surpass Coca Crops

PY0301173895 Santa Cruz EL MUNDO in Spanish 18 Dec 94 p A33

[FBIS Translated Text] Cochabamba—Alternative plantations in Chapare, Cochabamba, already amount to

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55,000 hectares, 20,000 hectares more than the land used for coca plantations in the same region, according to National Fund for Alternative Development (Fonadal) Director Gaston Martinic.

Martinic disclosed this information during a workshop on the Chapare Alternative Development Master Plan, held this week with the participation of representatives from German Technical Cooperation (GTZ), Fonadal, and coca leaf producers.

Martinic said that the Chapare peasants are gradually giving up coca leaf plantations due to the advantages they find in the alternative development crops.

He asserted that coca leaf production in Chapare had dropped by between 18 and 20 percent during the past two years, "due to the satisfactory results they find in the alternative crops."

Martinic said that approximately 70 percent of the Chapare inhabitants are planting alternative crops, although he did not say how many of them also keep their coca plantations.

According to the Fonadal director, who said he based his information on the results of the recent census in the Cochabamba tropical region, approximately 250,000 people, some 50,000 families, live in this region.

Martinic said that during 1984 [as published] 70 percent of the \$21 million earmarked for the implementation of alternative development was invested, in the form of agricultural and agroindustrial projects, the improvement of roads, the establishment of basic services, and technical training for peasants.

Brazil

New Justice Minister Meets U.S. Attorney General

PY0301132895 Sao Paulo AGENCIA ESTADO in Portuguese 1828 GMT 1 Jan 95

[Report by Rosa Costa]

[FBIS Translated Text] Brasilia, 1 Jan (AE)—The new justice minister, Nelson Jobim, today announced the creation at the Justice Ministry of the Secretariat for Planning and Security Actions [Secretaria de Planejamento e Acoes de Seguranca], which is designed to provide guidelines for the prevention of human rights violations in the states. In Jobim's opinion, Brazil should no longer suffer reprisals by economic cooperation agencies because of charges of human rights violations of which in many cases the federal government is not even aware. He said: "In addition to being a very serious matter, the promotion of human rights has an economic connotation."

Jobim and U.S. Attorney General Janet Reno—who came to Brazil to attend President Fernando Henrique Cardoso's inauguration—today began talks to improve

drug enforcement agreements between the two countries. They conferred for an hour at the residence of U.S. Ambassador Melvyn Levitsky, and touched upon the joint measures that the two countries may adopt concerning enforcement. Jobim will meet again with U.S. representatives in 15 days to put the final touches on the agreement. Jobim wants to open a new channel of communications between the two governments. The first step will be the creation of the new secretariat.

It is believed that there will be no agreement with U.S. negotiators on Jobim's position about decriminalizing drug use. Most U.S. states punish both the possession and use of any amount of illegal drugs. DEA Chief Peter Rieff, who attended the meeting, noted that only a few states—namely Oregon and Alaska—have decriminalized the possession of up to 28 grams of marijuana. Rieff said that the prohibition existing in the other U.S. states stems from the conviction, which is endorsed by the federal government, that free access to marijuana will pave the way to the use of other drugs.

Jobim made it clear that he intends to propose that drug use be decriminalized, and that a rational debate be conducted on the issue. He said the subject has been raised only by universities and interested groups, and that it has thus been like a monologue. This, he said, precludes a dialogue that could help the government decide which course of action to take. He said: "There must be a broad debate." He added: "Such a serious subject cannot be swept under the carpet." Jobim also plans to discuss the issue with neighboring countries like Peru and Bolivia, where a major portion of the cocaine sold in Brazil is produced.

Jobim stated that in light of their different legal systems it is difficult for Brazil and the United States to adopt the same position. In the United States, the punishment for a first-time drug user is confinement at a rehabilitation center. Only after he repeats the offense will he be sentenced to serve time in prison. He said: "Our laws are inadequate to the point that we make a drug user share the same cell with a trafficker." He said he is going to ask the Brazilian attorney general to come up with proposals to change the legislation.

Mexico's Gurria Says Economic Crisis Over

PY0301135295 Rio de Janeiro JORNAL DO BRASIL in Portuguese 2 Jan 95 p 20

[Article by Aguinaldo Novo]

[FBIS Translated Text] Brasilia—Upon his arrival in Brasilia to attend President Fernando Henrique Cardoso's inauguration, Mexican Foreign Relations Secretary Jose Gurria said yesterday that the Mexican exchange crisis will not affect the expansion of NAFTA, the trade agreement among Mexico, the United States, and Canada. Gurria said the measures adopted in recent days "have brought the crisis to an end."

The Mexican Government last week devalued the peso by more than 50 percent in an attempt to avoid the flight of foreign currency. Yet some foreign banks have estimated that Mexico lost nearly \$10 billion in amounts repatriated by foreign investors. The crisis had an impact on Brazil, where the Rio de Janeiro and Sao Paulo stock exchanges dropped by 12 percent. In Argentina, President Carlos Menem increased interest rates to 30 percent annually.

Yesterday afternoon Gurria held a private meeting with Brazilian Foreign Minister Luiz Felipe Lampreia at Itamaraty Palace. They met for a little over 15 minutes. Gurria again focused on the Mexican exchange crisis and its impact on Latin America and on the prospects of expanding trade between Brazil and Mexico. Gurria said: "Our countries are going through identical stages. They are undergoing both political and administrative changes. It is thus important to promote trade between us."

Gurria, who stayed at the Mexican Embassy, arrived in Brasilia yesterday at 1140. He was accompanied by former President Carlos Salinas de Gortari, who had been invited by Itamaraty to attend Cardoso's inauguration. Gurria is scheduled to return home this morning.

Foreign Minister Meets Mercosur Counterparts

PY0401002495 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 3 Jan 95

[FBIS Translated Text] On his first day in office, newly installed Foreign Minister Luis Felipe Lampreia attached priority to Mercosur [Common Market of the South].

The minister met with the ambassadors of Argentina, Uruguay, and Paraguay, which along with Brazil make up Mercosur. On 17 January, Minister Luis Felipe Lampreia will begin a tour of several countries, seeking to build relations upon new foundations.

[Begin Lampreia recording] In addition to highlighting the symbolic aspect that I have already mentioned, I held a first meeting with the foreign ministers. This meeting [words indistinct] they are longtime personal friends. At the Foreign Ministry I recently held the post of secretary general under Fernando Henrique Cardoso when he was foreign minister. I know them all and I am a friend of the three Mercosur foreign ministers. Yet I must begin a relation that is built upon new foundations, in my capacity as foreign minister. [end recording]

Lampreia today installed the second-level officials of the Foreign Ministry. Sebastiao do Rego Barros, who over the past two years headed the Brazilian Embassy in Moscow, was installed as Foreign Ministry secretary general—Itamaraty's second most important position.

Iraqi Envoy Expresses Desire to Promote Ties

JN0301181495 Baghdad Republic of Iraq Radio Network in Arabic 1700 GMT 3 Jan 95

[FBIS Translated Text] Safa' Hadi Jawad, [Iraqi] oil minister and representative of leader President Saddam

Husayn, today in Brasilia attended the inauguration of new Brazilian President Fernando Henrique Cardoso. Safa' Hadi Jawad conveyed President Saddam Husayn's greetings to the Brazilian president and wishes for success in his new tasks. During his meeting with the Brazilian president, leader president Saddam Husayn's representative conveyed Iraq's desire to promote economic and political relations between the two friendly countries.

Cardoso Installs Regional Policy Secretary

PY0401101595 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 3 Jan 95

[FBIS Translated Text] President Fernando Henrique Cardoso this afternoon installed Cicero Lucena, a member of the PMDB [Brazilian Democratic Movement Party] of Parabia, as the new regional policy secretary.

During the ceremony, President Cardoso answered criticism that had been made by some PMDB sectors, to the effect that the executive secretariat of regional policy has become a meaningless position. Some PMDB congressmen even said Cicero Lucena should decline the invitation.

President Cardoso said ministers and secretaries are members of the government and not of parties.

[Begin Cardoso recording] The mission for which we have installed Cicero Lucena is therefore a mission—in my opinion—of the highest significance. It should be considered with this spirit. Furthermore, the secretary will also be linked with the Planning Ministry because of what we have already said, because the Planning Ministry will have overall responsibility for programming the Brazilian economy, at least as far as allocating budget funds and coordinating policies is concerned. All policies should be aimed at the same target, seeking to reduce regional inequalities. The philosophy applying to those subjects has changed in Brazil. Consequently, it is not simply a matter of establishing a jurisdiction. It is far more than that. It involves directing the country's attention to areas in which there are problems. [end recording]

Lucena's swearing-in ceremony was attended by Deputy Luiz Henrique, the president of the PMDB [Brazilian Democratic Movement Party], Congressmen, and ministers linked with the party.

Cardoso Summons Government's Political Council

PY0401005495 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 3 Jan 95

[FBIS Translated Text] President Fernando Henrique Cardoso has summoned the government's political council for the first time. The council will meet on 26 January to debate the constitutional reform proposals.

The political council comprises the parties that support the government in Congress, the PMDB [Brazilian Democratic Movement Party], PFL [Liberal Front Party], PTB [Brazilian Labor Party], and PSDB [Brazilian Social Democracy Party].

The presidents of those parties have for the first time officially debated the political reforms the country needs.

PSDB President Pimenta da Veiga has said the federal party blocs will meet the ministers and Vice President Marco Maciel on 26 January to discuss the details of the constitutional changes that should be announced on 15 February.

[Begin Pimenta da Veiga recording] The objective of that meeting, which will be an open debate on the reform, is to promote joint action by Congress and the executive branch, so that Brazil can achieve the reforms that it wants. No final text will be submitted because the government wants to inform party blocs. On the other hand, the government wants to hear suggestions to begin compiling, as of this meeting, the document that will be submitted to Congress on 15 February. [end recording]

Justice Minister Nelson Jobim has already said the first reforms will affect economic, taxation, fiscal, and social security areas.

Finance Minister Delivers Installation Speech

PY0401000195 Rio de Janeiro TVE Television in Portuguese 1345 GMT 2 Jan 95

[Speech by Finance Minister Pedro Malan during his installation ceremony in the Central Bank auditorium in Brasilia—live]

[FBIS Translated Text] Thank you very much for your presence here, ministers, my dear Jose Serra, Paulo Paiva, Clovis Carvalho, Dorothea Werneck, Sergio Cutolo, members of Congress, governors, mayors, ladies and gentlemen, and friends, many of whose presence moves me.

My dear Ciro [Gomes], before anything else, I would like to express my sincere thanks for your words, and I want to assure you that my work will be aimed at consolidating the progress attained during your administration and that of your predecessors. The time in which I step in as finance minister, in response to a flattering offer made by the president of the Republic, is of particular importance. The responsibility entrusted to me is greater because I will be obliged to maintain the high technical and efficiency standard demonstrated by the many remarkable ministers that preceded me in this post.

I must admit that the challenges of the new post are enormous, but I am sure that with the confidence of the president of the Republic, of the extraordinary cabinet formed by President Fernando Henrique Cardoso, and of the so-called economic team and Finance Ministry staff, we will—as my friend Clovis Carvalho would say—overcome together the difficulties that may turn up during my administration.

During the installation ceremony of Persio Arida as Central Bank president, I will have the opportunity to

make remarks specifically pertaining to the Central Bank, its exceptional cadre of experts—to whom this country owes so much—and the essential role it must unavoidably play in the consolidation of the stabilization program.

Nearly a year and a half ago, during my installation speech as Central Bank president, I said that it was, paradoxically, with mixed humility and confidence that I addressed those present on the occasion: Humility because I am—like the rest of us—deeply aware of the magnitude and seriousness of the problems I must face, and which I will soon explain, and confidence because not only do we have a high degree of affinity in dialogue and action with the so-called economic team—which has expanded with the new economists who have joined us—but mainly confidence and certainty that we, as a society, will have the capability of meeting the challenges that turn up. Like the rest of the world, which cannot wait for us, the country has changed, is changing, and will change. The change will take place for a reason that is both simple and complex: Because we have no other alternative.

At a moment like this, tradition calls for the incoming finance minister to explain the guidelines of his future task. My work will be greatly facilitated because the guidelines have already been established. We know that we must continue with what I called the second commitment we assumed nearly a year and a half ago, when we said that it is possible to frontally attack inflation during the mandate of President Itamar Franco and under the orientation of then Finance Minister Fernando Henrique Cardoso.

I must say here that we never lacked the firm support of President Itamar Franco and the confident orientation of Minister Fernando Henrique Cardoso. A year and a half ago we rejected two lines of action that were then suggested to us, one of which was an easy solution but destined to fail because it envisaged the implementation of an illusory price freeze, the breaking of contracts, confiscations, and things of the sort that would simply end in a worse inflationary upsurge a few months afterward.

We also rejected another line of action then suggested to us with greater pressure and which would have no effect during an administration that was hardly a year and a half from concluding, making it better to wait for its end with an expectation that a new, legitimately elected, four-year administration would be able to firmly attack inflation. We then turned down that proposal with a very simple argument of which I and several members of the economic team were deeply convinced: That any attempt to implement it would have led, in the last few months of 1994, to an enormous inflationary upsurge much worse than that experienced at the end of the Sarney administration, simply because of the expectation that a new incoming administration to be inaugurated on 1 January 1995 would have to implement an economic shock precisely to control that expectation.

That was the reason we turned down those suggestions and decided to make the commitment—which is still ongoing—to curb inflation sometime in 1994.

Besides that commitment, we were convinced that we could significantly reduce inflation and, what is more important, we were convinced that the initial success in controlling inflation would eventually convince society, congress, and the political parties to support the necessary and inevitable measures that will allow consolidation for the months and years to come.

Former Minister Ricupero—to whom I want to pay homage here for the exceptional role he played after replacing Fernando Henrique Cardoso in the Finance Ministry—used to very appropriately say that we are at the beginning of the beginning, and that there still is a lot to be done.

Yet the progress we have made and the support we have received are clear signals that it is both desirable and possible to continue in that course. Actually—and this is my opinion—there is no other way to interpret the mandate that the ballot boxes gave to President-elect Fernando Henrique Cardoso, namely, that he should give full priority to the continuation of the struggle against inflation and to the consolidation of the stabilization program.

This is absolutely crucial, and I would like to take advantage of this opportunity to refer to an incorrect type of analysis that is frequently made. According to this type of analysis, stabilization—for which there is a specific period—is incompatible with the conditions that are necessary for reactivating investment and growth and for fighting social injustice in our country.

We are convinced, and we have long said it, that stabilization is a *sine qua non* condition—necessary though not sufficient—for reactivating investment and growth and for neutralizing social injustice.

In fact, from an economic viewpoint, stabilization increases the efficiency of the economic system, increases the [words indistinct] of the system of relative prices, and expands the horizon for decisions affecting investment and consumption. Summarizing, it is an essential condition for increasing the system's efficiency.

From a social viewpoint, it would never be improper to reiterate—especially to those who, and rightly so, attach full priority to the subject—that the effort to curb inflation is the main method for relieving those who are weaker from the inflationary tax. This is the most regressive, unfair, offensive, and cruel tax that society can impose on people.

We have said from the beginning that the program would not be recessive—contrary to what some analysts have wrongly and hastily concluded. Instead, we have said it would be a program for promoting expansion, as was clearly shown by the experience in the second half of 1994.

We harbor no illusion, deceitful euphoria, or naive optimism that we have won the battle and that we can sleep on the laurels of a precarious victory. All of us know there is a lot to be done. I just wanted to rapidly review what I consider the variables of the many things that still remain to be done in order to consolidate the important achievements we have so far attained.

In a conversation with journalists the other day, I said that all the stabilization attempts that were made in this country since 1986, with the cruzado, either failed six months after the starting date or showed clear signals that their failure was only a matter of time.

Fortunately, this is not our case. I believe that a vast majority of local and international analysts, as well as Brazilian entrepreneurs, academicians, and society as whole, think that we are on the right course; that there is a lot to be done; that the program is healthy; that it must remain healthy; and that its success does not rely merely on one or two ministers, on a set of ministers, or on the cabinet, but essentially on our interaction with Congress—which is represented here by such outstanding members—and with the judicial branch—envisaging price stability as a target to be attained by Brazilian society. This will not be an objective in itself, but an instrument for promoting not only higher efficiency and social justice, but also attainment of other objectives.

What are the main challenges we have to meet? I will list them, but not in order of importance. The first challenge should be nothing new: Our task is to make things easier, because there is nothing new in what we have said for the past year and a half.

I said that on 14 June 1993 we published a program for immediate action whose main objective and main area of action was to tackle what we called—unhappily though correctly—the relative collapse in the managerial and financial areas. Either through action or omission, we Brazilians have all, without exception, allowed this collapse to affect the public accounts of this country.

I am not referring only to the federal government, but also to state and municipal governments. This is our first task. The six major areas of the program for immediate action, which was set in motion one and a half years ago, are as valid today as they were at that time. Those areas basically deal with public spending control at the three government levels that I mentioned; modification of public spending in order to promote the social sector; and, in general, improving public spending efficiency and—in the final analysis—public management.

The second area of the program dealt with the fiscal and tax sectors, where it is necessary to continue with the fight against tax evasion, approaching a real tax reform. The tax reform, which will rely greatly on Congress and on the appropriate constitutional reform, will simplify our current system, expand the number of taxpayers, and probably reduce taxes without precluding the increase of overall revenues.

The third point of the program, which is as valid today as it was in the past, deals with the federal tax system and with the financial relations between the states and the federal government.

We did a lot in that area, and in this regard we are deeply indebted to [Civilian Household Chief] Clovis Carvalho. Yet there is still a lot to be done.

I have been encouraged by the attitude of the new batch of exceptional governors who were recently elected. Showing their maturity, democratic spirit, and common sense, the Brazilian people elected governors who have a clear idea of the challenges that must be met, not only in the states' finances but also—and this was the program's fourth item—in the financial relations between states and their respective banks.

We have been encouraged by the talks we held over the past few weeks with the new batch of governors, and by their deep knowledge and willingness to take pragmatic, responsible, and effective action to tackle the problems of their respective banks, and the interaction between bank problems and state financial problems.

We started working with the presidents of the six official federal banks, and I can give assurances that we will attach even more importance to that work. In this regard, I would like to once again pay tribute to the exceptional role played by Clovis Carvalho, the Finance Ministry's [former] executive secretary.

In my capacity as minister, I will personally engage in the talks with the presidents of official federal banks, because this area also needs support. There is also another reason, with which I believe everyone is familiar, a reason that is valid not only for official federal banks but also for state banks and for the financial system in general.

In bilateral conversations held since the end of last year, we said to many of those banks that in 1994 [year as heard] we would take strong action against inflation; that they would lose their inflationary revenues; and that it would be inevitable to adjust the system, which should find other sources of noninflationary revenues, especially reducing costs, improving operational efficiency, promoting capitalization, and so forth.

Those adjustments will have to be made, and part of the confidence that I have in the future of this sector stems from the fact that I know there is full understanding of the problem and of the challenges to be met.

The last point of the program that started in June 1994 remains as valid today as it was at that time. It deals with expansion of both the scope and the implementation of the privatization program.

Contrary to what is usually argued, privatization does not seek to meet the fiscal needs of a specific year. Instead—and we saw proof of this recently—privatization increases the efficiency of the economic

system, permitting funds to be used not for financing current expenditures, which is an improper use for privatization revenues, but for reducing the public debt.

In the final analysis, though, the main reason for privatization is to permit the government to earmark funds—which are scarce—for meeting the new demands of a society such as ours with big social problems, for meeting social demands in education and health, rather than for financing deficits of state-run companies or investing in capitalization of such companies. In our current world, it is clear that it is better to let the private sector take care of the activities of state-run companies.

Therefore, the—so to speak—fiscal front, which includes matters dealing with the fiscal taxation system, and not merely with the flow of revenues but also the stocks we have for contingencies, is an absolutely essential area for consolidation of our progress against inflation.

I would even say that if we do not work in this area, we will have no real prospects for defeating inflation, and for coexisting with a tolerable inflationary level that can promote other courses of action, which I would like to mention here.

An idea that we have been considering as an umbrella is to reduce the Brazil cost. In other words, this means reducing the cost of producing goods and services in Brazil, as compared to the cost in our international partners and competitors.

I see that the government can take joint action in this area, because the work can be undertaken, among others, by the ministries of industry and commerce, labor, social security, planning, finance, and agriculture, and by the central bank, each one of them in its own specific area.

There are things to be done not only in terms of deregulation, debureaucratization, and search for more efficiency in public management and public spending reduction. Some topics are essential, like reducing the cost of long-term investment capital, and the cost of fixed capital in the Brazilian economy.

There is a great deal to be done regarding reduction of labor cost in Brazil to ensure an increase in the level of employment and, eventually, a real increase in the level of salaries. There is a great deal to be done regarding reduction in the price of port services and transportation infrastructure. We have all recently heard Argentine Economy Minister Domingo Cavallo report that four years ago the cost of port services in Argentina was two times higher than the Brazilian one and that currently it is only 70 percent higher than ours. The Argentine economic program contemplates, however, reducing them to 50 percent of the Brazilian one before the end of 1995. In order to reduce the Brazil cost, there is still a lot to be done and these tasks must be shared by several ministries. I hope this can become a more general concern of the government as a whole and count on the indispensable support of the national Congress.

There is a third area. It is fundamental to consolidate the progress we have been making, but it cannot be implemented in an abrupt, violent, and arbitrary manner. We need to gradually implement de-indexation or the so-called de-inertialization of the Brazilian economy. This demands, however, a careful interaction of the steps we must take regarding various elements of this de-indexation or elimination of the inertial trend of the Brazilian economy—such as the Reference Interest Rate, the Consumer Price Index-real, the Reference Fiscal Unit, and other indexes. These steps will keep us busy for the next few months. All this, however, must be done gradually, as is the case with everything else we have been doing until now. It must also be broadly discussed with society and the Congress. Despite all these concerns, however, we must tread this path. Our work on the fiscal front and the Brazil cost front must progress soon because if we try to implement these changes abruptly while the inflation rate is still high, inflation might rise insidiously through informal mechanisms, in view of our inflationary culture and decades of experiences with de-indexation. A governmental decision to abruptly declare the end of these indexes would not be a solution at the moment. The process must be implemented gradually, as all the rest has been, and without losing our sense of direction and of purpose.

The two last areas that are fundamental to our economic stabilization will be under discussion over the next few months. These discussions are a continuation of previous ones already held among us and within society as a whole. I want to pay homage here to the degree of maturity being reached in Brazil in terms of the discussion of issues such as the most adequate monetary and exchange regimes for a country that has been treading the path toward a durable and sustainable stabilization, as well as resumption of growth and investment allied to durable and sustainable social justice. As the future finance minister, I will be working to achieve that. Based on all sorts of talks that we have been holding for more than one year, and not only at the end of this administration, I am certain that due to the exceptional level of the people joining the Finance Ministry and this economic team, we will be able to solve, as we have been doing so far, all the economic problems that seem apparently irreconcilable and full of trade-offs [preceding term in English], similar to those we have been dealing with until now. These are, therefore, the general lines that will guide the Finance Ministry's performance.

I insisted on having some, not all, Finance Ministry secretaries sitting at this table with me. I will not mention their names because I will have the opportunity to do that in another ceremony, which will be held later this afternoon. I believe, however, that you are acquainted with several of those who are sitting here with me. I am convinced that we are making up a team comprised of people of exceptional skills, and I have also been observing how the other ministries with which we will be interacting are forming good teams as well. I realize that we are succeeding in attracting to public

service high-level people in whom we can deposit our hopes. We are convinced that these teams will be able to face the challenges that the current times may present.

First, I would like to apologize for the improprio characteristics of this short message. Second, I would not like to finish it without expressing my deepest thanks to all who have been working with me. I am sure that we will continue working together, and this is the second and last time I quote Clovis Carvalho's words. There is also something I would like to particularly emphasize here. I want to thank my family: My wife Catarina, whose unrestricted and extensive support and solidarity have never failed me. I want to thank my children: Diogo, Cecilia—the only one who could attend this ceremony—and Pedro. They are my bets for the future. They are always present when I look a little further into the future and see this Brazil I would like to have and where I would like to live, having the sort of economy and society I yearn for. I am thinking of them, of your children and grandchildren who are here in this room, and particularly of the children and grandchildren of all of those who do not have access to a room such as this but, nevertheless, also expect a great deal from us. In thinking of them, of this future Brazil, I promise to do my best, to dedicate my best efforts to successfully occupy the position President Fernando Henrique Cardoso gave me the honor of being selected to fill.

I want to again thank all who have worked with me throughout the years and who will continue to work with me in the future. I want to thank all who are attending this ceremony for having listened to me attentively. I also want to tell you all that you can count on our best efforts. I am not speaking only on my own behalf, but also on behalf of the entire Finance Ministry team and of all the other ministers and of the cabinet as a whole. Thank you very much for your attention and see you soon.

Chile

President Frei Gives New Year's Address

PY0301151495 Santiago Television Nacional de Chile
Imagen Internacional in Spanish 0003 GMT 31 Dec 94

[New Year's address by President Eduardo Frei Ruiz-Tagle from La Moneda Palace in Santiago—live or recorded]

[FBIS Translated Text] Chileans, our fatherland, which is the common house of all our families, is getting ready to celebrate a new year. Every time one stage concludes, we naturally tend to make some kind of an evaluation. The government I head has taken stock of the country's progress, and our evaluation is that 1994 was a positive year because it established a solid base for next year.

My criteria for reviewing this stage of the administration is to see if progress has been made in taking advantage of the opportunity Chile has on its hands, to evaluate if the

country has developed, to see if there is more equity and justice, to review if we contributed to the modernization of the country in the political, economic, and social areas, and to see if there is harmony and social peace.

This is the mandate I received from all of you, and to which I am obligated. This is the commitment made by the Coalition of Parties for Democracy [CPPD] for this administration. This is why, based on this criteria, I would like to make a brief review of the administration this year.

We have certainly taken advantage of the opportunities given by the new international situation. Our country has grown in the international community. We are respected and appreciated. We have promoted political and economic freedoms at the various international meetings. We have again strengthened our links with Latin America, which is our natural environment. And I consider this to be very positive. Through our incorporation into the Asia Pacific Economic Cooperation forum and the invitation to join NAFTA with North America, unsuspected borders are opening up to us.

This new horizon will represent not only an improvement in our international image, but will also support our growth, will attract a considerable amount of investment, will increase our exports, and above all will represent more and better jobs for all Chileans.

One of the gloomy points of this year was the arbitration decision on Laguna del Desierto, which was adverse to the Chilean position. This is a ruling we believe to be unjust, and which we regret. We have accepted it based on our tradition of respect for international law, but upholding the consideration of exercising Chile's unyielding and legitimate right to use all means available to safeguard the highest interests of the country, within the framework of the spirit and the wording of the 1984 Peace and Friendship Treaty.

In the economic field this was a year of adjustment, with all its restrictions and related costs. Despite this situation we closed the year with important achievements, growth of over 4 percent, solid external accounts, and with a significant amount of foreign currency.

For the first time in Chilean history, domestic savings are higher than 25 percent of GDP, that is, one-fourth of the added value of everything Chile produces per year. This significant achievement of each and every Chilean family grants us greater economic independence and sovereignty, and will allow us to grow strong in the near future.

The investment rate this year will amount to 26.5 percent of GDP, comparable only with that attained in 1993. Our vigorous export sector has grown significantly both in volume as well as in value. This sector has thus increased by 25 percent the value of our exports which, in turn, has created new jobs. All these indicators reflect national and international confidence in our economy.

Our economy has revealed its strength in the midst of the adjustment process. Productivity has increased approximately 4 percent, and real salaries this year have increased by 5 percent over the consumer price index. However, a negative aspect of the adjustment is the fact that we will end the year with an average 6 percent unemployment rate. This temporary increase in the unemployment rate represents a challenge: to reduce it in 1995 and reach rates that are in keeping with our determination to attain social equity and justice. It should be noticed that the reactivation process has already started, and we are certain that this process will gain strength next year.

I wish in particular to mention that for the first time in 30 years, we will end this year with an inflation rate of approximately 9 percent. But the important thing is that this decrease is a consolidated tendency, and not a mere exception. Next year inflation will continue to drop, thus confirming this declining tendency. Personally, I am very happy with this achievement, and the country should be so, too. Curbing inflation means protecting the majority of Chileans who live off their salaries or pensions. My government therefore has and will continue to implement a strict policy designed to curb inflation.

Aside from all these figures I have mentioned, I want to tell you that our economy is solid, and gives us good grounds for starting the next year, thus allowing the Chilean peoples' work and efforts to be compensated adequately.

A way of knowing a family is by knowing how it spends its money, and what its priority expenditures are. I can proudly say that 70 percent of the 1995 budget will be used for social investments, in fields that are a matter of concern for all Chileans, especially for the poorest and most neglected sectors. This reflects one of the moral commitments of the CPPD. When the first CPPD government came to power it took a huge step forward regarding all social projects. Today my government is able to increase its social expenditures by more than 50 percent thanks to a reliable and systematic effort.

I wish to mention some examples of our social investments. In health we will invest the remarkable amount, over the usual budget, of more than \$100 million, especially in hospitals. We will also double the resources earmarked for clinics and their medical equipment, especially those located in rural and poor regions. In the housing field we intend to build 107,000 houses this coming year. Emphasis will be placed on families with scarce income, and this is reflected in the fact that 78 percent of the houses will be granted to the poorest families of our country.

In the education field we will make great investments in the construction of new primary and secondary schools. We will improve the quality of high school education programs by financing libraries, computers, and teaching material for over 500 secondary schools. We will supply 2,000 computers to subsidized primary schools this

giving our children the opportunity to get familiar with modern technology from very young. We will uphold rural development by increasing the power supply, and by financing the construction and operation of potable water projects. Through a special fund we will install some 12,000 public telephone booths in isolated and poor regions, which will grant some 2 million inhabitants an efficient and decent service.

Within the framework of the national plan to overcome poverty, we will continue to focus our public investment efforts on the 71 poorest districts of the country.

As for the workers, we will continue to strictly fulfill the commitments undertaken at the beginning of the year as well as those undertaken on 1 May. We have already submitted to Congress a bill that, among other things, gives the workers decisionmaking power in the use of tax exemptions to finance training programs, and creates a national training fund basically designed for the small and mini enterprises, and to support the retooling processes. We have also sent to Congress a bill designed to increase the Labor Directorate's resources and supervision capacity, and another bill designed to expedite lawsuits in the labor field. The resources of the labor union training fund are increased by approximately 50 percent in the 1995 budget. This increase is mainly designed for training and technical training programs for workers of the rural areas. An annual program with approximately 20,000 direct scholarships for youths and unemployed workers of that sector will be implemented.

This year we have concluded the assessment of labor laws. Inspired by the result of this evaluation, we will submit to Congress a draft bill strengthening workers' rights. What we seek is to increase the collective bargaining mechanism for sectors such as the agriculture, construction, forestry, and maritime workers, who because they only have temporary contracts, do not have the right to this mechanism. We are also strengthening the right to strike and the right to be informed about the development of negotiations processes. With these tools my government expresses its commitment to the workers, to their well-being and their fair aspiration to maintain worthy and fair labor relations, as in most developed countries of the world.

When my government came to power there was talk that it would be overwhelmed by longstanding demands. I am certain that this past year we tackled these demands in a responsible manner. We never offered what we could not fulfill, and always safeguarded well-being and national interests. I also believe we have established a very positive precedent in the salary increases for public servants, by establishing that they should be linked with a noticeable increase in the quality and efficiency of the services in question. Salary increases will thus represent citizens' recognition of expeditious and better quality services and will not be based on arbitrary criteria.

Regarding legitimate disagreements and conflicts, the government has and will continue to ask the involved

parties for tolerance, dialogue, and a desire for understanding. But I also want to say frankly that pressure exerted by any organization will not divert the resources the government has earmarked for the poorest sectors. And whatever group that resorts to illegal means to exert pressure on the government will be fully punished by the law and the democratic order. Nobody should doubt that my government will fully and decidedly exercise its authority.

As we assess this year we realize that one of our great achievements is the fact that our democratic coexistence has been consolidated. I believe we are learning to use our political freedom to live harmoniously. Some feel surprised and uneasy by disagreements and discussions that sometimes become rather loud. But living in democracy means precisely having the freedom to express various viewpoints, even if they clash, and to hold a dialogue as long as is necessary to reach an agreement. Democracy is a space in which we must try to do things in a properly united manner, and learn from each other. I think it is a great thing that we are beginning to overcome the fear that paralyzed our public life for decades. I am certain that in the future this will be reflected in the greater participation by the public in our political and social life.

My administration will continue to strengthen and expand our democracy in accordance with the public commitments we have made. We are making progress in the affirmation of the people's rights, that is, in the field of justice.

We are taking measures so that Chileans may have speedy and equitable justice by changing our penal code system, by implementing the creation of new courts to handle family cases, by having alternate mechanisms for solving family disputes, and by structuring an efficient system for providing free legal advice to the poor.

The progress made on the rights of women and children is very important. We have already promulgated the law by which the rights of men and women are equal in the common family patrimony. I would also like to point out the laws related to family violence and child abuse, which are already in force and give real protection to the women and children of our country. We already have a law that helps minors with legal problems; it is a system that will ensure their integration into society, and not into the world of crime. Soon all Chilean children will be equal before the law, thus putting an end to discrimination.

All of these initiatives are valuable, because they contribute to the creation of a national culture of respect for the rights of people by helping create a more fraternal and more civilized coexistence.

Our country has made progress on the road to reconciliation, and we will continue to contribute in this direction. This is why we extended for one more year the activities of the National Reparation and Reconciliation

Board. We know that there are still judicial cases pending on serious human rights violations. It is not the government's responsibility to intervene in these cases, but I do want to say that the country hopes justice will be done.

We will continue to strengthen democracy in accordance with the commitment made publicly. We will cooperate in the strengthening of the political parties and social organizations. We will continue to support giving dignity to Congress, as we have done through draft laws. The commitment to democratic values is a universal task, and Latin America must be a real example.

At the conclusion of this year, I am convinced that we are on the right path. We are making progress in updating our democracy, our public institutions, our ways of producing and administering, our way of relating to others. Many things still need to be corrected and made more agile and expeditious, but the important things have been done. We are moving step by step on the right path with a government team that is honestly serving the country. We also have the support of the parties that make up the CPPD, which is and will continue to be the basis of the government, and the only political project that is capable of articulating modernity and justice.

On this opportunity I would like to clarify some fears and confusion that exist around the modernizing effort. I realize that the word modernization brings a great deal of insecurity and fear. Modernization is associated with instability or loss of jobs, or is looked upon as a moving car impossible to get on. I would like to tell all the people who feel this fear that the modernization projects being implemented by my government have very clear names. They want to integrate everyone, and they also want to be just and equitable.

My government clearly understands that there are sectors that can do it by themselves, that they are already integrated into this process, and that they have the elements to be able to face problems. These sectors must overcome once and for all the idea of expecting help from the government. This cannot be done under any point of view.

The commitment of my government is with the poor of this country, with the weak and the unprotected, with those who have no one to represent them. We will support them in integrating themselves, in gaining real opportunities, in being able to really contribute to our community, and in improving their standard of living. The 70 percent of the budget used for social spending is a concrete sign of that commitment. And if in the future there is a need for privatization, or a need to go into association with the private sector in order to liberate resources for our great task, we will do so with no hesitation of any kind.

We will strictly fulfill this moral and political commitment of my administration and of the CPPD. We will not accept any pressure that would stray us from this path.

Upon closing this year I wanted to share these reflections with all of you. The achievements I have mentioned belong to all Chileans, to government action, to the workers, businessmen, technicians, professionals, congressmen, political parties, members of the Armed Forces, intellectuals, and the creators of culture.

I would also like to greet with special appreciation all public administration employees. I know of their honest and loyal work, which is sometimes done under difficult conditions. This is the work that sustains the daily work of the state. I call on the great Chilean family to continue to work united and with generosity to make 1995 a year of progress for all, and one in which our efforts will be rewarded in an environment of tranquility and freedom.

Personally I thank almighty God for all the things I received this year, and I ask with humbleness that he give me strength that I might persevere in this task. On behalf of my family and myself, I wish you all, with great affection, a happy 1995. Good evening.

Chamber To Reopen Poisoned Grapes Case in 30 Days

PY0401021095 Madrid EFE in Spanish 2258 GMT
3 Jan 95

[FBIS Translated Excerpt] Santiago, 3 Jan (EFE)—The Chamber of Deputies has decided that the Special Committee established to investigate the two Chilean grapes found poisoned with cyanide at the port of Philadelphia, in the United States, will reopen the case in 30 days.

The incident, which occurred in March 1989, at the end of the military regime of General Augusto Pinochet, unleashed a crisis when the United States imposed a one-week embargo on Chilean fruit exports.

Chilean exporters, who allegedly lost about \$300 million as a result of the embargo, have sued the U.S. Government, but up to now obtained no results.

The Chilean Chamber of Deputies has a 30-day deadline to reopen the case and, according to ruling party Deputy Juan Carlos Latorre, it has the legislators' unanimous support to do so. [passage omitted]

PDC Head Backs Reestablishing Ties With Cuba

PY0401101195 Madrid EFE in Spanish 1827 GMT
3 Jan 95

[FBIS Translated Text] Santiago, 3 Jan (EFE)—Chilean Christian Democratic Party (PDC) President Alejandro Foxley today expressed his support for the reestablishment of Chilean-Cuban diplomatic ties to help Cuba rejoin the majority of democratic countries in the region.

Foxley said that the full reestablishment of diplomatic ties with Cuba may be interpreted as a Chilean gesture so that Cuba can share with other Latin American countries "the values of democracy, social justice, and economic growth."

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According to Foxley, Chile has an important presence and influence at the Latin American regional level and can help promote in Cuba the establishment of democratic values upheld in other Latin American countries.

Foxley added, however, that from the official point of view "this is a decision that must be exclusively adopted by President Eduardo Frei."

According to reports issued on 30 December in Santiago, the Chilean Government has already decided to resume diplomatic ties with Cuba. The reports added that the official announcement would be made within the next couple of weeks.

Chile and Cuba severed diplomatic ties in the wake of the September 1973 coup d'etat that installed a military regime headed by General Augusto Pinochet, which lasted 17 years.

The path for the reestablishment of diplomatic ties with Cuba was cleared after prominent PDC leaders expressed their support for this initiative.

The statement made by Foxley today definitely paves the way for the official announcement of the resumption of diplomatic ties, which has been criticized by the Chilean right.

The PDC has conditioned the resumption of diplomatic ties with Cuba on seeing certain signs from the Havana government with regard to a political opening and human rights.

The other members of the ruling government coalition, the socialists, the radicals, and the Party for Democracy, have repeatedly expressed to President Frei their belief in the need to reestablish Cuban-Chilean ties, which, in 1991, were restored at the consular level.

Argentina Ends Customs Tariffs on Chilean Exports

PY0301135095 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 3 Jan 95

[FBIS Translated Text] Economy Minister Alvaro Garcia has announced that Argentina has eliminated customs tariffs on Chilean exports to that country.

This story of the statistics rate, or Argentine customs tariff on imports, began in 1992, when Argentina increased customs tariffs on Chilean products by 7 percent. Later on a preferential rates agreement on 60 percent of Chilean exports was reached. The remaining exports, such as wood and fruit, were excluded from the agreement that expired on 31 December 1994, from which time Chile would again pay a 10 percent customs tariff.

Garcia said that the elimination of the statistics rate favors all exporters, and that business with Argentina could amount to \$625 million this year. The minister also referred to the economic opening.

[Begin Garcia recording, in progress] ...free trade, many productive sectors will suffer as a result of the opening process. This is only natural in any international economic negotiation, and it is obviously one of the criteria the government has kept in mind. [end recording]

Garcia added that this opening creates opportunities, but requires some adjustments.

Air Force To Begin Operating Antarctic Landing Strip

PY0301165395 Madrid EFE in Spanish 1935 GMT 1 Jan 95

[FBIS Translated Text] Santiago, 1 Jan (EFE)—Chilean Air Force [FACH] sources today disclosed that as of mid-January the institution will start operating a new landing strip in the Antarctic, built on parallel 67 latitude south within the Antarctic polar circle.

The new landing strip, which is 2.5 km long and built on ice, is capable of handling of heavy aircraft (Hercules C-130's) and will be named after "Teniente Carvajal," a FACH lieutenant who died exploring the Antarctic, according to the FACH public relations chief, Colonel Hector Barrientos.

He added that the new base will be a good connection with the U.S. base Patriot Hill, located on parallel 80 latitude south, and will be the starting point for the expeditions to the South Pole that the FACH will start carrying out during the second half of January, with light aircraft.

Chile will thus have a permanent connection with the South Pole, from Punta Arenas in the Magellan Strait, also including the "Teniente Marsh" base located on King George Island in the South Shetland Islands, 900 km north of the Carvajal base.

The Teniente Marsh base, whose landing strip operates all year round and can handle all types of aircraft, is considered the entrance to the Antarctic by scientists all over the world who are carrying out research on the continent.

According to Barrientos, the base can be considered the only city in the Antarctic, as it has a school, hospital, bank, post office, telephone service, and other facilities in addition to a modern meteorological center and a FACH contingent that, together with their families, lives permanently at the base.

He added that a group of scientists who will study the weather, topography, and glaciers in the area will settle at the new "Teniente Carvajal" base.

Colombia

Putumayo Peasants Protest Spraying of Herbicide

PA0301005195 Santa Fe de Bogota Inravisión Television Cadena 1 in Spanish 1730 GMT 2 Jan 95

[From the "National Newscast"]

[FBIS Translated Text] Once again, drug traffickers and guerrillas appear to be behind a civil strike to protest the spraying of glyphosate. This time, in Putumayo, more than 2,000 peasants abandoned their plots and took over several villages, such as La Hormiga, (Orito), and Dorada, which right now are on maximum alert and where the sale of alcoholic beverages is prohibited.

[Begin Army Colonel Orlando Diaz recording] Here, one can see the hand of the drug traffickers. We have noticed that the peasants are financed by drug traffickers and that guerrillas have threatened them. Peasants who refuse to take part receive death threats. [end recording]

Demonstrators also have set up pickets in Ecopetrol's [Colombian Petroleum Enterprise] southern district, preventing crude oil from being pumped through the trans-Andean pipeline. Ecopetrol is losing millions because it is being prevented from pumping at least 5,000 barrels of oil a day.

[Begin unidentified peasant recording] We are not going to let them take one drop of oil out of this territory until our problems are resolved. [end recording]

Businesses are at a complete standstill; food is becoming scarce; and peasants fear returning to their homes, apparently because of threats by guerrillas and groups of drug traffickers who cultivate coca in the area.

Army Awaiting Orders To Move In

PA0301120995 Santa Fe de Bogota Inravisión Television Canal A Network in Spanish 0000 GMT 3 Jan 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The Army is willing to enter Putumayo areas occupied by demonstrators who are demanding a suspension of the spraying of herbicide on illegal coca crops. The announcement was made today by General Harold Bedoya Pizarro, commander of the Army, who said only a judicial order is needed for the Army to take over positions currently held by peasants.

[Begin Bedoya recording] We are preparing whatever troops will be necessary to send to the area. We are awaiting a legal decision by the Putumayo Attorney General's Office before proceeding to obey it. [end recording]

Bedoya gave assurances that this unrest is being encouraged by the mafia and the guerrillas, just like in Guaviare.

[Begin Bedoya recording] I believe drug traffickers have infiltrated some peasant groups, and some peasants have been intimidated. There are also guerrilla groups who intimidate peasants to force them to take part in these mobilizations. [end recording]

Meanwhile, the demonstrators today said they would not leave the Putumayo oil installations and area air terminals until the spraying of the illegal crops is suspended.

Prosecutor Demands More Support in Curbing Drug Funds

PA3012155694 Mexico City NOTIMEX in Spanish 1825 GMT 28 Dec 94

[FBIS Translated Text] Santa Fe de Bogota, 28 Dec (NOTIMEX)—Prosecutor General Alfonso Valdivieso today demanded more loyalty from the other hemispheric nations, particularly the United States, in curbing the flow of funds originating from drug trafficking activities.

"Colombia needs effective answers from the international community on this issue," the official said.

Valdivieso said the past Summit of the Americas "underestimated Colombia's proposal" on adopting mechanisms to confront the drug trafficking problem.

It was agreed during the meeting summoned by U.S. President William Clinton that another meeting would take place to discuss the basis of Colombia's proposal to organize a hemispheric conference on combating drug trafficking.

The official deplored that Colombia's proposal to curb the flow of revenues resulting from international drug trafficking activities has not received sufficient support yet.

According to Valdivieso, "that flow of funds is, undoubtedly, what encourages the increase in criminal activity."

In statements to Radio Cadena Nacional (RCN), the prosecutor general reiterated drug production in Colombia has increased during 1994, the reason why the National Drug Council has decided to reinforce the poppy and coca leaf crop eradication program in the southern part of the country.

The administration of President Ernesto Samper is determined to eliminate all illegal plantations located in the southern departments of Putumayo and Guaviare during an eight-month period.

In evaluating activities by the criminal groups during the year that is about to end, Valdivieso expressed his concern about the increase in that illegal activity. He also insisted they will intensify their struggle against this scourge during 1995 despite all obstacles the authorities are confronting.

Officials Reject French Proposal for Anti-Drug Intervention

PA0101005495 Santa Fe de Bogota Inravisión Television Cadena 1 in Spanish 1800 GMT 31 Dec 94

[From the "NTC News" newscast—passages within quotation marks recorded]

[FBIS Translated Text] Foreign Minister Rodrigo Pardo has flatly rejected the proposal by the French prime minister that there be international intervention in drug-producing countries.

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Foreign Minister Rodrigo Pardo described as absurd and unfair to Colombia the proposal for military intervention in drug-producing countries submitted to UNESCO by French Prime Minister [title as heard] Charles Pasqua.

[Pardo] "It is completely absurd, besides being unfair to Colombia, since it supposes that Colombia alone is, quote, guilty, unquote, rather than the victim, of this problem. Besides being unfair to Colombia, it is an ineffective policy. It is as if one were trying to destroy a chain by removing one link. The rest of the chain continues to exist."

The foreign minister admitted that other sectors of public opinion abroad, linked to minority extreme right parties, agree with this aggressive initiative sponsored by the French minister.

[Pardo] "Unfortunately, this is how some public opinion sectors, not just in France but also in other countries, feel. But thankfully they are a minority."

According to the foreign minister, President Ernesto Samper, aware of the serious consequences that support for this initiative from the international community would have, has met personally with Minister Pasqua to convince him of the unfairness of the proposal.

[Pardo] "Before taking office, President Samper met with him in Paris. Pasqua spoke frankly on this topic. He is familiar with Colombia's viewpoint and our unhappiness with that proposal."

Prosecutor General Alfonso Valdivieso said that although UN military intervention would be a disproportionate measure, the problem of drug trafficking deserves another kind of attention from the international community. In the opinion of the prosecutor, the French minister's remarks are absurd. He added that unless effective results against drug trafficking are obtained, the country will have to appeal to international courts.

[Valdivieso] "I feel the scenario for intervention is outlandish and absurd. We can reject it without any qualms. That stance responds mainly to a specific reality, which is that countries are overwhelmed by the problem of drug trafficking and want to react to it."

The prosecutor demanded greater results from the police and Armed Forces so that the international community could see greater achievements in the war on drug trafficking.

[Valdivieso] "I am totally convinced that there are many deficiencies in carrying out that commitment. These entities can yield greater results. We now must recognize we have deficiencies and constraints, and we must strive to demand results from the security corps and the Armed Forces that are in charge of fighting this crime."

He added that the French Government's proposal, however belatedly, shows that the developed countries are developing an awareness of the drug problem.

Central Bank Action on Exchange Rates Faulted

95CA0077A Santa Fe de Bogota SEMANA in Spanish
20 Dec 94 pp 54-56

[FBIS Translated Text] Last Thursday morning the air in the Council of Ministers meeting room at Casa de Narino could be cut with a knife. The meeting of the National Council on Economic and Social Policy, scheduled for 0800 hours, was beginning in an atmosphere of tension not often seen thus far in the Samper administration.

And this was with good reason. This was the first encounter between the full economic team and the manager of the Bank of the Republic since the central bank's Board of Directors had decided, three days earlier, to change the maximum and minimum bands within which the exchange rate is allowed to fluctuate. The move had been termed "unfortunate" by Finance Minister Guillermo Perry, but his fellow cabinet members were out for blood.

They had their chance for revenge as soon as the document explaining the administration's Export Plan was read aloud. Miguel Urrutia, the Bank of the Republic's top official, asked for the floor. He stated that in his opinion, the diagnosis of the export sector was too alarmist, especially considering that exports have been increasing since 1992. At that point, Development Minister Rodrigo Marin fired the first broadside. He was followed by Agriculture Minister Antonio Hernandez, Economic Adviser to the President's Office Luis Bernardo Florez, and Planning Director Jose Antonio Ocampo. They all launched a frontal assault on the central bank manager's analysis, and they made it clear once again that the government sees the world from a different perspective.

This animosity had begun to take shape a few days earlier within the Bank of the Republic Board of Directors. During the session of Tuesday, 6 December, some members of that body brought up once again a problem that had already been discussed on other occasions: the certainty that it would be impossible to meet the devaluation target set for 1994. At the beginning of the year, it had been expected that by December the dollar would be at around 890 pesos, but at that point it was obvious that with the U.S. currency at 830 pesos, not much could be done.

Following that logic, the board and its chairman, the finance minister, had agreed to start from scratch at the end of the year. The deal was that the devaluation target for 1995 (13.6 percent) would have as a floor the price of the dollar as of 31 December. In other words, what was lost in 1994 would be written off as unrecoverable. The government hoped, however, that in the remaining days of the year it would be possible to gain a few more points of devaluation, which would mean that next year the starting point would be a little higher.

All of those expectations were dashed when the board began leaning toward hastening the decision. According

to the analysis that was done, the Bank of the Republic had been buying dollars increasingly since the beginning of December to remain within the exchange rate bands established by the central bank itself. These are merely price bands within which the market is allowed to fluctuate. Thus, the central bank always tries to keep the exchange rate around the middle of the band, which covers a range of seven percent above and seven percent below the selected line. When there is a risk that it will go beyond the limits of the band, the bank intervenes on the market, buying or selling dollars as the case may be, the way many central banks do in the rest of the world.

Despite the Bank of the Republic's efforts, its intervention on the market was turning out to be futile. The price of the dollar had fallen to the bottom of the band, and the members of the board began to think that a number of speculators, including some financial institutions, were cornering the market, betting on revaluation. To make matters worse, every time the bank went out to buy dollars to maintain the exchange rate, it would inject more money into the economy just when, for the first time in three years, the growth targets for the money supply were being achieved.

In conclusion, the board decided on a fixed term. It was agreed that if the bank had to buy more than \$90 million over the next few days, the decision on the band would be hastened. This decision was vehemently opposed by the finance minister, who argued that there was enough room to buy even more dollars, and that a deal was a deal. But the opinions of the other six members of the Board of Directors prevailed over Guillermo Perry's. The strategy was approved, with the minister making his objection for the record.

In the ensuing days, the pressure on the market persisted. Between Wednesday the 7th and Monday the 12th, the bank spent \$110 million, to no avail. Thus, the announcement was made at noon on Monday. The new midline was to be established based on the rate of 831 pesos to the dollar, and the market got a clear message. Whereas before, the central bank had an obligation to intervene when the dollar fell below that level, now the obligation would kick in when it approached the bottom of the new band, that is, about 773 pesos to the dollar.

What happened next was a disaster. The bank came under heavy fire for the decision, which was interpreted as an immediate seven-percent revaluation. The columnist D'Artagnan, known to have close ties to the government, even asserted that the Constitution should be amended to do away with the board's independence, since it was behaving "like a loose cannon." Even President Samper called the decision inappropriate and untimely, and he sent a shot over the bow when he said that "the current situation, in which the bank plays a restrictive role independently of other variables that are the government's responsibility, is like that of a person with a checking account who writes checks on someone else's account."

These ruffled feathers were eventually smoothed down, however. On the one hand, as early as the beginning of the month Samper had invited the board to lunch at noon on Thursday the 15th. Thus, when the board members went to the living quarters of the Presidential Palace, they had no choice but to sit down and talk. It was Samper himself who broke the ice by recalling that the lunch date had been made before the controversial decision, but that because of that decision the soup was not going to taste as good. The debate began while they were still at the table, when both sides got down to brass tacks, politely but firmly, over the ravioli and roast beef. When all was said and done, although there were not many points of agreement, the exercise served to cut the tension, and all agreed to repeat the luncheons from time to time.

The other development that helped relieve the pressure was the performance of the exchange rate. Although it fell seven pesos the day after the central bank's announcement, by the end of the week it was already close to 830 pesos, just one peso below the initial level. In other words, the expected revaluation did not materialize.

These events enabled the members of the board to claim that they had done the right thing, because the pressure on the peso had slackened. The government, for its part, contended that this showed that the bank should have held off and waited a few days more rather than opening up a can of worms by hastening a decision that had already been scheduled for two weeks later.

Although that discussion is moot now, several lessons can be drawn from what happened. The first is that when the central bank and the government fight, no one wins. For now, the members of the Bank of the Republic Board of Directors appear very satisfied with their declaration of independence, but they should not rub it in so much. In a country that is not entirely persuaded by the current plan, trying to heighten tensions in relations with the government is playing with fire. Congress has had its eye on the bank for some time now, and taking provocative stances is tantamount to waving a red flag in front of a bull that is itching to charge.

By the same token, it is not fitting for the board to put on such a weak defense of its goals. If the band that was abandoned was the result of some agreements, it is not enough to come out and say that conditions have changed, because when it comes to the economy, constants are found only in textbooks. Besides, what message is being sent to speculators when it appears that the bank is too easy to shove aside? What happened last Monday, when no institution came forward to demand dollars, in the hopes that the Bank of the Republic would give in, has disturbing implications indeed.

The administration, in turn, must learn to be more cool-headed about its setbacks. Few experts disagree with the contention that the devaluation should have been greater. No one doubts, moreover, that the matter

ceased to be an economic target and became a political commitment for President Samper.

But it is one thing to want the dollar to go up and another to try to steamroll the market. No matter how many decrees are issued, no matter how much independence the Bank of the Republic has, and whether or not there are exchange controls, the fact remains that economic realities are incontrovertible. Colombia's problem is that it has a lot of dollars, and if the goal is to raise the price of the dollar, it is the causes of the problem, not the consequences, that must be attacked. So it would not be excessive if the government sat down and analyzed whether its spending program is realistic and whether it would be worthwhile to sink its teeth into the matter of transfers to territorial entities, which have become a veritable black hole into which billions of pesos disappear.

Perhaps the most ironic thing of all is that the controversy is arising at a time when the economy is doing better than it has in years. Industrial production continues to grow, employment is also rising, and inflation is on the decline. Furthermore, there is agreement that what has been done merely improves the likelihood that the Social Pact will be a success and that the inflation target of 18 percent will be met in 1995. As if that were not enough, now there seems to be more leeway for bringing interest rates down from their absurd levels, beginning in January.

In conclusion, the recent developments may not be serious if both sides take things calmly again. The sedate meeting of the Board of Directors last Friday is evidence of that. As Minister Guillermo Perry said, "there is no reason for much of this uproar." It remains to be seen whether the upcoming holidays will give everyone an opportunity to reflect on the situation and to realize that, as with so many other matters, cooperation is much better than confrontation.

Ecuador

Disagreement Over Budget Publication Noted

PA0301134695 Quito Voz de los Andes in Spanish 1200 GMT 3 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] By ordering the publication of the budget, which the deputies had not approved by 31 December as established by law, Ecuadoran President Sixto Duran-Ballen has started 1995 with a new battle with the unicameral congress, which is controlled by the opposition.

Duran-Ballen noted that Ecuador could not begin the new year without its respective budget.

[Begin Duran-Ballen recording] There is nothing in the law stating that the National Congress must, or can,

discuss a budget after 31 December—in January, February, May, or whenever it pleases. The law on various aspects, the Constitution, and other laws on public spending clearly and categorically establish that the budget must be approved by 31 December. [end recording]

Meanwhile, Congress President Heinz Moeller has not ruled out an interpellation of the president for publishing the 1995 budget in the REGISTRO OFICIAL. Congressmen feel that this type of attitude only serves to increase the clashes between the executive and legislative branches, and that Duran-Ballen's decision is unconstitutional because a plenum of the congress has every right to approve the budget.

Moeller said that it is inconceivable for the president to reject the congress' authority, and that the budget drafted by the executive contained suspicious figures the destination of which is unknown.

Government Not in Agreement

PA3012235594 Hamburg DPA in Spanish 1541 GMT 30 Dec 94

[FBIS Translated Text] Quito, 30 Dec (DPA)—Ecuador will begin 1995 without a fiscal budget in place because of a bitter dispute between the administration and congress regarding the amount of annual fiscal income. The legislative session closed today without approving of the proposed budget.

Shortly after having announced the failure to reach an agreement with the administration, congress president Heinz Moeller called for an extraordinary session—whose only issue will be the fiscal budget—to begin on Tuesday. President Duran-Ballen's liberal administration presented congress with a 7.2 trillion sucres (\$3.132 billion) budget proposal, but the legislative budget committee estimated that the fiscal income for 1995 would be 8.0 trillion sucres (\$3.479 billion), for which reason they rejected the proposal.

After a number of negotiations failed, congress today concluded its regular session, accusing the government of having a "myopic, fiscal, and centralist" attitude.

The government in turn accused the Social Christian and Roldosist Parties, whose alliance controls congress, of wanting "to divide the budget into parcels to be controlled by its deputies, to carry out political chicanery during an election year."

The difference in the estimated income originates in discrepancies regarding the estimated average oil export price for 1995 and the profit from the new internal sales prices for fuel.

Further on Budget Controversy

PA0301164095 Paris AFP in Spanish 2134 GMT 2 Jan 95

[FBIS Translated Text] Quito, 2 Jan (AFP)—According to an announcement made by the president from the

presidency, Ecuadoran President Sixto Duran-Ballen decided this Monday [2 January] to publish the 1995 state budget in the REGISTRO OFFICIAL (official gazette), despite the fact that Congress has not yet approved it.

The president gave a radio and television address this past Friday [30 December] in which he sharply criticized Congress for "violating the Constitution," which sets 31 December as the deadline for approving the budget.

The congress's budget committee was unable to reach agreement with executive branch representatives—headed by Finance Minister Modesto Correa—on the government's decision to channel additional funds to the so-called social front ministries (education, health, housing, and social welfare).

The budget commission determined that the plenum should decide on the budget, and congress president Heinz Moeller convened a special session for tomorrow to discuss the issue.

Finance Minister Correa stated that the government's macroeconomic program depends on the budget, and if the budget is exceeded, the country will be unable to attain the balance projected for 1995.

On the other hand, the budget committee contends that the government failed to include revenues totalling 1.2 trillion sucres (\$520 million) in the 9 trillion sucre (\$3.920 billion) budget.

Duran-Ballen himself publicly acknowledged that non-budget revenues amounted to 682 billion sucres (\$296 million), which the government had decided to distribute among the universities and regional governments.

Minister Correa estimates that non-budget revenues originating from the recent 62-percent increase in the price of diesel would only amount to 350 billion sucres (\$152 million).

The price of exported crude oil for 1995 was also a source of controversy. While the government applies an average price of \$14 per barrel, the budget committee is determined to fix the average price at \$14.80 per barrel.

In a final effort to reach an agreement, government (interior) minister Abraham Romero summoned budget committee president Santiago Bucaram to his office, but unfortunately no compromise was reached.

To further complicate the disagreement with the legislative branch, the executive branch finally decided that its budget would go into effect and claimed that Congress has nothing more to do with the issue since the deadline set by law for reaching a decision has expired. "This is a closed issue," Duran-Ballen declared.

This is the first time since the reestablishment of democracy in 1979 that disagreements between the presidency and the legislature have forced the enactment of a sort of fiscal dictatorship.

None Willing To Yield on Budget

PA0401155395 Quito Voz de los Andes in Spanish 1200 GMT 4 Jan 95

[FBIS Translated Text] National Congress President Heinz Moeller has stated that Ecuadoran President Duran-Ballen is in flagrant violation of the Constitution and that he has staged a constitutional coup d'etat. Moeller insists that Duran-Ballen is politically and constitutionally ill and that Congress is going to cure him. Moeller also said that Congress will immediately interpellate any cabinet member who implements President Duran-Ballen's budget.

[Begin Moeller recording, in progress] ... we know the president of the Republic. Congress had already discovered that there were funds missing. There are 682 billion sucres missing. Nonetheless, he went ahead. We still have hope, and we even think that if we have to lose, we will lose. I am, however, losing hope in the president's democratic inclinations. I thought he was presenting a proposal: Let us redistribute these underestimated incomes in such and such a way. It did catch our attention that he was completely forgetting certain sectors, particularly the social sectors, yet assigning a considerable amount of funds in such a way that he was violating the Constitution. This is extremely serious, extremely serious [repeats], and we must be courageous and point it out to the people. [end recording]

The Ecuadoran Congress did not reach agreement on the 1995 national budget during last night's session. The legislators are discussing the fate of the 682 billion sucres that were declared a surplus in the president's draft budget. They have not approved the president's budget because the various legislative blocs have different ideas about how to use the funds.

Neither the government nor the legislature seemed willing, yesterday, to yield their positions on the 1995 budget. The conflict continues to worsen, as both parties feel the management of the famous 682 billion sucres is extremely important for each of them. The 1995 budget has these additional funds.

Meanwhile, Deputy Freddy Bravo of the Ecuadoran Conservative Party defended the national budget presented by President Sixto Duran-Ballen and said that it is not an arbitrary measure as the opposition deputies and members of the Budget Committee have said. Bravo pointed out that the committee members were obligated to approve the budget by 31 December.

Brazilian Banana Restrictions Said Unfair

PA3112200694 Madrid EFE in Spanish 1728 GMT 30 Dec 94

[FBIS Translated Text] Quito, 30 Dec (EFE)—Ecuadoran Industry Minister Jose Vicente Maldonado has described as "unfair and wrong" the restrictions the Brazilian government of President Itamar Franco has

put on the importation of Ecuadoran bananas on grounds of "sanitary problems." "We will request that such restrictions be lifted. In addition, we will submit all the information Brazilian authorities request, although everything related to this product has already been reported," the minister has said, adding that Ecuadoran President Sixto Duran-Ballen "will do everything possible" during his meeting with Brazilian president-elect Fernando Henrique Cardoso to solve the problem posed by the Brazilian restrictions. According to the Brazilian Government, the Ecuadoran bananas are infected with black sigatoka.

According to official sources, Duran-Ballen, who will fly to Brazil tomorrow to attend Cardoso's swearing-in ceremony, will discuss with the new president "subjects of bilateral interest, including banana import restrictions."

Maldonado has said: "Our bananas meet the requirements not only of the Brazilian but of the European market, where not a single instance of this infection has been reported. Our product has always been healthy and competitive."

Ecuadoran banana-producer sources have said the objections are caused by the Brazilian Government's desire "to protect Brazilian producers." Nevertheless, Osmar Chohfi, Brazilian ambassador to Ecuador, has said that this measure is not a "protectionist but, rather, a plant health measure," and that the situation will be cleared after a Brazilian technical commission is satisfied that "Ecuadoran bananas pose absolutely no danger for Brazil." "Brazil is a large producer of bananas but is also a large consumer. For this reason, it is necessary to take the most effective measures possible to protect Brazil in this trade," Chohfi has said.

Chohfi added that they rely on manual methods because his country lacks Ecuador's technology to produce bananas. Consequently, "60 percent of the production could be wiped out, and thousands of people would be left jobless if black sigatoka reaches Brazil."

In addition, Danilo Portugal, president of the Association of Ecuadoran Banana Producers, has said that due to Brazil's banana import restrictions, "local producers oppose the construction of an interoceanic waterway that would expedite trade between the two countries."

Portugal said Ecuadoran producers have been kept from dispatching 50,000 boxes of bananas weekly since 18 June, when the restrictions went into effect.

Bananas are Ecuador's second most important export commodity, next only to crude oil, and banana sales represent \$1 of every \$3 of the government budget.

Galo Abril Appointed New Energy, Mines Minister

PA3012201694 Quito Voz de los Andes in Spanish 1200 GMT 30 Dec 94

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Galo Abril, former secretary general of Conade [National Council for Development], is the new energy and mines minister, replacing the late minister Gustavo Galindo Velasco. Dr. Abril served as a member of the Petroecuador [Ecuadoran State Petroleum Enterprise] Board of Directors, an official of the Central Bank of Ecuador, an adviser to Inecel [Ecuadoran Institute of Electrification], and more recently, Conade secretary general. He does not have a great deal of experience in the oil or energy fields. He is a trusted aide of Vice President Alberto Dahik.

Duran-Ballen Asks Media To Halt Rumors of Ill Health

PA0301171595 Quito Voz de los Andes in Spanish 1200 GMT 3 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] President Sixto Duran-Ballen, who is 73 years old, has asked the media to make it a New Year's resolution to end the unfounded rumors about the possible deterioration of his health.

[Begin Duran-Ballen recording] I do not have cancer; fortunately, I never have. I have had no heart attacks. In Ecuador, tests are performed prior to any operation. I am sure that many of you have gone through operations and have had to take tests to make sure you can take the anesthesia or the procedure. [end recording]

Paraguay

Executive Branch Decree Implements Mercosur Resolutions

PY0301125995 Asuncion ABC COLOR in Spanish 2 Jan 95 p 3

[FBIS Translated Text] Through a decree implemented by the executive branch, throughout our national territory, the decisions made and resolutions taken by the Mercosur [Common Market of the South] Common Market Council [Consejo del Mercado Comun] and Common Market Group [Grupo Mercado Comun]. Governmental decree No. 7143, signed 30 December 1994, has seven articles.

The directives that went into effect yesterday are as follows: Directive No. 16/94, approving the Rule of Implementation on Customhouse Clearance of Goods; Directive No. 17/94, approving the Rule of Implementation on Valuation of Goods for Customs Purposes; Directive No. 18/94, approving the Rule of Implementation on a Baggage System Under Mercosur; and Directive No. 26/94, approving the Rule of Handling Directives, Criteria, and Opinions on Appraisal of Goods for Tariff Purposes.

Resolutions

The resolutions that went into effect yesterday approve the following systems and rules: a special system for

promotional material; a rule on goods loaded on a single carrier that went through various customhouses in the country of origin; a rule on customs operations for transportation of post and parcel on regular international bus services; and a resolution establishing a list of products that will not be subject to any phytosanitary controls.

Common External Tariff in Effect

The executive branch also implemented yesterday the Mercosur common external tariff throughout our country. To this effect the executive branch issued Decree No. 7144, signed 30 December 1994.

The decree points out that the common external tariff was established using the Mercosur Reconciled Tariff Nomenclature for the Reconciled System of Description and Coding of Goods, and related rules. The bases for the formation of the customs union among the four Mercosur countries were established in Ouro Preto (Brazil) during the Seventh Common Market Council meeting on 16 and 17 December 1994.

In one of its articles, the aforementioned decree indicates that the Finance Ministry, through its appropriate organizations and other public departments linked to Mercosur, will implement the appropriate directives.

Defense Minister: President To Decide on Generals' Retirement

PY0401101395 Asuncion RPC Television Network in Spanish 2300 GMT 3 Jan 95

[FBIS Translated Text] President Wasmosy has still not signed the decree authorizing the retirement of Generals [Pedro C. de la Cruz] Ocampos and [Evelio Favio] Benitez. We have been told that they remain at the disposal of the commander in chief's office.

Gen. Ocampos and Gen. Benitez remain on active duty. The decree authorizing their retirement has still not been signed by President Wasmosy. These officers are in a standby [previous word in English] situation, Defense Minister Hugo Estigarribia said.

[Begin recording] [Estigarribia] The president might give them another assignment. This is perfectly possible. They might also remain at the disposal of the commander in chief.

[Unidentified reporter] Do you think we will have a definition in the next few days?

[Estigarribia] Maybe yes, maybe no. It depends exclusively on the commander in chief. We have always said that resolutions adopted by the Armed Forces Promotions Board are recommendations that might or might not be accepted by the commander in chief. At this time the president is studying the Promotions Board recommendation. He will decide whether these generals remain on active duty.

[Reporter] How many generals are in this situation, Minister?

[Estigarribia] There are two generals. The Promotions Board has also recommended the retirement of many colonels. They remain at the disposal of the president because they have not yet completed their 30-year service requirement.

[Reporter] What was the purpose of your meeting with the president?

[Estigarribia] I did not meet with the president. I just came in to pick up a draft decree. [end recording]

Peru

Fujimori on Meeting Brazilian President, Mercosur

PY0301160295 Lima Global de Television Network in Spanish 0130 GMT 3 Jan 94

[FBIS Translated Excerpt] President Alberto Fujimori today returned from Brazil, where he had attended the inauguration of new Brazilian President Fernando Henrique Cardoso.

During his last day there Fujimori met with his Brazilian counterpart, with whom he discussed bilateral issues and Mercosur [Common Market of the South].

Fujimori also announced that the Eximbank of Japan has granted Peru a \$155 million loan to finance the hydroelectric San Gaban project in Peru.

Shortly before he ended his visit to Brasilia, President Fujimori met with Fernando Henrique Cardoso at Planalto Palace to say goodbye to the Brazilian president and to officially invite him to visit Peru. [passage omitted]

Fujimori's meeting with Cardoso lasted 30 minutes; at the end of it he returned to the Najum Plaza Hotel, where he stayed during his visit to Brasilia. At the hotel entrance Fujimori met with the media.

[Begin recording] [Unidentified reporter] Regarding the meeting you just held with the Brazilian president, could you tell us something about the affinity between our two countries?

[Fujimori] There is obviously an affinity between Peru and Brazil because we are neighbors, because of the traditional friendship we share, but there is also a very special affinity because I have a good relationship with President Cardoso, we have a very fluid relationship, and I also believe we share similar viewpoints in the economic and political fields. Things are going to go well.

[Reporter] During the Mercosur meeting, was Peru invited to join the organization? What was the result of this meeting?

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[Fujimori] Right now the Mercosur member countries are holding a meeting. Mercosur is being fully implemented precisely today. It is a huge, interesting market, with an open-door policy. In other words, it is not a huge, closed, protectionist market, quite the contrary, and this makes it very interesting for Peru. [passage omitted] [end recording]

PPC Candidate's Withdrawal Disheartens Opposition

PY3012141794 Madrid EFE in Spanish 0741 GMT
29 Dec 94

[FBIS Translated Text] Lima, 29 Dec (EFE)—Popular Christian Party [PPC] presidential candidate Lourdes Flores' decision to step out of the electoral race has once again revealed the opposition's electoral orphanage, and seems to have disheartened this sector.

Flores withdrew her candidacy on 26 December after coming to the conclusion that the most she would obtain in the 9 April 1996 general elections would be 3 percent of the votes.

Analysts have interpreted this decision as a political defeat for the candidate, although they pointed out that at the age of 35 Flores "still has a future in the PPC."

According to experts, Flores' decision favors her party "in that it avoids a humiliating electoral defeat, as in its 25 years of existence it has never obtained less than 10 percent of the votes."

The possible 3 percent revealed by the polls would in addition have cost the PPC its legal right to register as a political party with the right to participate in the elections.

The effect of Flores' withdrawal has also affected Ambassador Javier Perez de Cuellar, as the PPC has rejected a proposal for Flores to step down in favor of the diplomat so that he might become the single opposition candidate.

The PPC leadership finally decided to "set its members free" to vote for whomever they wish, without being committed to anyone.

One analyst interpreted the agreement as a "Solomonic decision" to avoid a greater crisis, due to the fact that the PPC is divided into two sectors: one that support President Alberto Fujimori, who is seeking his reelection, and another that supports Perez de Cuellar.

The discouragement seems to have also seriously affected the American Popular Revolutionary Alliance (APRA) of former President Alan Garcia (1985-1990), where one sector of leaders have requested their candidate, former Senator Mercedes Cabanillas, to resign.

All polls give Cabanillas an average 4 percent of support, which places APRA at the brink of its greatest electoral defeat in its 70 years, a period during which it has never obtained less than 25 percent of national votes.

Cabanillas has voiced her willingness to step down, but has requested that the decision be taken by a national meeting of APRA delegates.

In the leftist opposition sector the situation is even worse, according to analysts, because the recently reorganized United Left (IU) is once again about to split up following internal elections held to elect its candidates to Congress.

The two tickets that ran for these elections have both proclaimed victory, and one of them has even threatened to break the coalition if the results in its favor are modified.

A Lima daily today, referring to the disagreements within the IU, eloquently and categorically referred to the political aspirations of that front with the following headline: "The Leftist Sector is Back to its Old Habits."

In the meantime Fujimori is well ahead of his contenders in the electoral field, and everything indicates that if there are no last-minute surprises he will be reelected.

Fujimori enjoys about 50 percent of the peoples' support, and some experts believe that it is quite likely he will win in the first round.

His most dangerous adversary, Ambassador Perez de Cuellar, who surpassed him in the polls eight months ago, has begun to lose ground, and now only enjoys an average of 18 percent of public support.

United Left's Barrantes Withdraws Presidential Candidacy

PY0401112395 Lima Global de Television Network in Spanish 0130 GMT 4 Jan 95

[FBIS Translated Excerpt] Alfonso Barrantes Lingan, presidential candidate for the coalition United Left, has withdrawn his presidential candidacy and his membership from the coalition, due to the internal struggle within the United Left in preparing the list of congressional candidates. The internal struggle within the coalition continues, but it has been announced that Agustin Haya de la Torre would replace Barrantes as United Left presidential candidate.

[Begin unidentified reporter recording] United Left spokesman Rolando Brena today confirmed Alfonso Barrantes' resignation by showing a letter dated 31 December in which Barrantes mentions that the coalition is falling back into the mistakes of the past after promises were made that this would not happen. Barrantes said that time was being wasted with the animosity among the leaders. The United Left Executive Board is now meeting somewhere in Lima to define its situation. [passage omitted] [end recording]

Uruguay

Officials Hope Sanguinetti Not To Alter Mercosur Policy

PY0301170895 Montevideo EL OBSERVADOR ECONOMICO in Spanish 22 Dec 94 Economic Section p 10

[Article by Fernando Gutierrez]

[FBIS Translated Text] Government officials participating in the Mercosur [Common Market of the South] negotiations have told EL OBSERVADOR ECONOMICO that, despite the criticism that President-elect Julio Maria Sanguinetti leveled during his electoral campaign against some governmental guidelines implemented in this field, it is hoped that the president-elect will not introduce significant changes in these guidelines.

The main criticism leveled by Sanguinetti during his electoral campaign involved the lack of preferential treatment for Uruguay, as it is a small country with an economy that is more vulnerable than that of the larger partners.

An official who participated in the recent Ouro Preto presidential summit emphasized that Uruguay's achievements in the field of special protections for the upcoming transition phase toward a full customs union are "the greatest" that Uruguay could have achieved from the partner countries.

The official therefore believes that even if the incoming administration wanted to take a more protectionist attitude, the reality of the negotiations would make it impossible.

Foreign Minister Sergio Abreu noted that the results of the negotiations show that it is necessary to reduce the differences existing among the economies of the four partner countries.

The government officials also emphasized that the incoming administration will be conditioned by the obligation of complying with the commitments already entered into to implement the customs union within the next few years.

Calming Message

Sanguinetti himself has already announced that his administration would honor the documents signed by the Lacalle administration. In response to questions posed by Argentine, Brazilian, and Paraguayan journalists after his election, Sanguinetti guaranteed that he does not intend to implement a revisionist process for the commitments already entered into by Uruguay.

President Lacalle also engaged in dispelling the possible fears harbored by Uruguay's partner countries. During his speech in Ouro Preto on 17 December, he noted that he is firmly convinced that, beyond personal and stylistic

differences, Sanguinetti would pursue the integrationist line because Mercosur represents "a state policy" for Uruguay.

Concerning future action, Sanguinetti has hinted at the fact that, following the style of the European Union, a special status should be established for the small countries.

Even though this special status has not been included in the new Mercosur charter, Uruguay actually has a number of benefits, protections, and special adjustment deadlines that greatly surpass the advantages received by the large Mercosur partners.

The only unresolved point is whether Sanguinetti will make changes in the negotiating team. This team is currently headed by Guillermo Valles, the Foreign Ministry economic affairs director, and Juan Ignacio Garcia Peluffo, an adviser to the foreign minister. Garcia Peluffo has the rank of vice minister of Mercosur negotiations.

Both Valles and Garcia Peluffo were praised by leaders from various political parties, and had already occupied important posts in the previous Colorado administration. It is therefore not clear whether they will be removed from the posts they have been occupying during this stage of Mercosur.

Main Issues To Be Pursued by Incoming Administration

- Strengthening of the customs union (implementation of the Common External Tariff, compliance with the new customs rules, and controls on compliance with exemptions and rules in the countries of origin).
- Implementation of the rules against dumping and unfair trade practices (the current administration is especially concerned about the absence of an organization that will administer justice with supranational powers).
- Negotiations between Mercosur and other blocs (Uruguay's concern involves the possibility of violating the Common External Tariff).
- Negotiations to establish special systems for the automobile manufacturing and sugar industries.
- Beginning a new phase of negotiations to establish a common market, which involves coordination of macroeconomics and area policies.

Venezuela

Caldera Gives New Year Address

PA0201041095 Caracas Radio and Television Networks in Spanish 2158 GMT 1 Jan 95

["Speech to the nation" by President Rafael Caldera from Miraflores Palace in Caracas—live]

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[FBIS Translated Text] Venezuelan people: There are many reasons to welcome with optimism the arrival of the new year, to recognize that we have overcome the most serious manifestations of the deep crisis that affected the entire country as a consequence of very serious mistakes and illegal acts committed over the past few years.

Venezuelan democracy has emerged strengthened from a traumatic situation, which anywhere else might have led to a fatal collapse of freedom and rights. Public peace has become consolidated despite efforts to disturb it and the political, social, and economic factors that act against it. We have waged a struggle against corruption everywhere and at all levels. To formalize this struggle I have appointed a highly qualified person as the presidential commissioner for overseeing public administration. Public powers have found the essential way to face adverse circumstances and to attend to the urgent needs of the people as much as possible. This has not prevented us from calling on Congress repeatedly not to delay the constitutional reforms, the much needed reforms to the state, and the much demanded justice reforms.

I will not give up on every aspect of change that the country demands, which will be done in peace and without upsetting the legal state. An important part of this has been the restructuring and the reorganization under way in all government offices. The Armed Forces have overcome the traumas caused by the events of 1992. Prudent and firm leadership methods were used to dismiss the cases. Many officers and sub-officers rejoined the service, and paths were opened up for those who retired to develop their own vocations. Those who decided to enter politics were given all the guarantees that the Constitution and laws offer citizens.

Civilian power, which the Constitution bestowed on me when I was elected by the people to become president of the republic, has been dutifully fulfilled. In addition, the powers inherent in the dignity of commander in chief of the National Armed Forces were used properly. For their part, the Armed Forces have shown their constant determination to preserve and defend national sovereignty and the stability of democratic institutions.

The Venezuelan people have demonstrated and have reiterated their love for peace and their desire to preserve it. They have demonstrated on various occasions their confidence in the Armed Forces commitment to protect and defend them against every danger or threat. The people's support for the Armed Forces was evident in the elimination of mandatory military conscription, replaced by the abundance of young men who have volunteered to serve in the military. The government and military authorities have also developed a permanent program to improve living and working conditions for officers, sub-officers, the rank and file, and soldiers.

In the area of international relations, we have maintained a cordial and honorable position. Within the growing integration movement, we have taken exchange

and opening to optimum levels. We have joined the Association of Caribbean States and the World Trade Organization. We have fulfilled the free trade accords signed in previous years and signed a new, very auspicious accord with Colombia and Mexico. Visits to the country by the presidents of Brazil and Colombia, as well as by the prime minister of Portugal, have been very important in their significance and results.

The Ibero-American Summit in Cartagena, the Rio Group meeting, and the hemispheric summit in Miami highlighted Venezuela's presence in the hemisphere and the Luso-Hispanic community. Without arrogance, we have shown our dignity as a sovereign nation. We have defended the rights of Venezuela every time it has been necessary, like in the case of improved gasoline [gasolina reformulada]. And we have won important benefits following the acceptance of our thesis on orimulsion and our incorporation into the European Union's preferential tariff system.

We are ready to adopt, without hesitation, all necessary measures to save the country, to preserve its economy, and to guarantee human rights, among which liberty is perhaps the most precious. We have cleaved to this behavior in the face of international economic organizations and powerful foreign interests. We have adopted the decisions that our consciences and the direct and intimate know-how of Venezuela reality have prompted us to adopt. Without avoiding dialogue, we have preserved our right to decide.

The dreadfully serious economic crisis was exacerbated by the crisis in the financial sector, which, according to experts on the history of economic disturbances, has been perhaps the most serious crisis in the world in proportion to GDP. What events revealed about the handling of banking activity, covered up by fraudulent balances and information, produced a growing crisis of confidence. It became necessary to implement foreign exchange controls after all solutions implemented by the directors of the Central Bank of Venezuela proved ineffective in stanching the hemorrhage of our international reserves. That hemorrhage accelerated the devaluation of the bolivar. Inflationary pressure was violently reactivated at a time when we were successfully fighting inflation with a prudent fiscal policy.

Today, international reserves have grown to \$12 billion. We are in the process of stabilizing our currency, and, contrary to what some permanent critics expected on the paralysis of exports, something encouraging has happened. Exports reached nearly \$16 billion. Non-oil exports exceeded \$4 billion, the highest amount in our history. Of this amount, over 67 percent corresponded to the private sector. The current account of the balance of payments shows a \$4.127 billion surplus, and foreign investments more than doubled in comparison to the previous year.

Inflation, the terrible evil against which we have launched an unrelenting campaign, rose to 70 percent

because of the banking crisis. We cannot be pleased with this, nor do we hesitate to point out that several economic prophets and even organizations as serious as the Central Bank had announced that inflation would go even higher. Some people even believed inflation would reach three digits. The situation confirmed the government's projections, which were slightly exceeded by the final figures that revealed a downward trend in the last months of 1994.

The process of inflation had repercussions like a general increase in prices and reductions in workers real wages. Controls over the prices of staples had to be established to moderate the increases in prices. This situation did not have, nor will it have, favorable effects since the number of regulated items must be limited, to less than 40, to prevent the downward spiral of an artificially regulated economy. Also, top prices could not be fixed below production costs, with a reasonable profit, because doing this would have quickly led to a drop in production and to shortages, the threat of which we have been able to avert thus far. Controls over the prices of staples were at least able to stave off likely shortages.

As for salaries, the government felt compelled to substantially increase the minimum wage and later supplement it with food and transportation vouchers. Generally, this has meant an increase from 9,000 to 21,000 bolivares per month. The Social Security Institute's retirement pensions went from 9,000 to 14,400 bolivares per month. The remuneration of public employees and day laborers increased markedly, regardless of the fiscal crisis, since it was impossible to deny that inflation had taken a toll on the finances of entire families. We had to increase considerably the salaries of people working in important social sectors like health, education, and security. We have placed our hearts in this and will give the necessary attention to these three basic state sectors.

The difficult and pressing task of rescuing the educational system is under way. This task began by raising the teachers' dignity.

Restructuring the health system is another difficult and pressing task. The economic situation of health employees has been improved. Some progress has also been made in decentralization: this year, we transferred health services to states like Anzoategui, Aragua, Bolivar, Carabobo, Falcon, Merida, and Zulia. We have involved the communities in the program to rehabilitate hospitals and have given them greater autonomy. The self-management experiment at Vargas Hospital—Venezuela's most prominent hospital—sets a favorable example for all. The measles campaign showed what can be achieved when values, organization, and the united participation of various state organizations and different civilian groups come together.

One of this year's achievements was labor peace. The holding of the normative labor meeting was of great significance to the public sector in keeping with labor

code guidelines. This has been one of the key steps in organizing the public sector.

The economic stabilization and recovery program, which was favorably received by all sectors of the civilian population, is under way, and the necessary steps are firmly being taken for its full compliance. Circumstances have shown that just as democracy in Venezuela is a solid political system, the economy also has structural strength. The numerous obstacles that had to be overcome have helped make this more evident. New factors increase our optimism. The strategic oil associations have excellent prospects: not only do they offer immediate benefits, but also solid projections to ensure the future.

As for mining policy, the outlook seems better than ever. In mining, we are willing to take advantage of our rich experience of over a half century in oil matters because it would be unforgivable for us to make the same mistakes as those made out of ignorance when we began participating in hydrocarbon production and sales.

Countless are the areas that open their channels to investors. Tourism, for example, should become—and we are going to make it—one of the most important sources of riches for our country. Regarding privatization of public enterprises, we will carry out a well-articulated program to ease the balance of finances and to open the road to technological, managerial, and all sorts of innovations that investors might offer.

The tax reform has been effective. An integrated national tax administration service has been created to give the state all sorts of tools to substantially improve tax collection, so neglected and corrupt was it in the Venezuela we received. Tax evasion will be fought relentlessly. In-depth modifications have also been made to the tax system, aimed at making those who have the most will pay the most taxes and those who have less will pay less.

For the first time in 50 years, non-oil taxes will surpass taxes earned from oil. We are constrained by a shortage of taxes despite the awesome amounts involved. In 1995, 34 percent of the budget is committed to servicing the debt, which Venezuela has promised to honor even though we will continue to seek viable roads to make the load less burdensome. Twenty percent of the 1995 budget has been earmarked for the constitutional cycles [ciclos constitucionales]. The remaining 46 percent will be for essential spending on national defense and foreign service, ever costlier because of monetary devaluation, and to increase the investments that basic services such as education and health demand. The Education Ministry pays for 150,000 teachers and the Sanitation Ministry 50,000 health professionals. Over 5 percent of the national budget goes for maintaining the national universities.

The state has an excessive number of employees which, in order to progressively reduce, the state has to pay huge amounts in labor compensation.

The policy of austerity developed since the very first day of this constitutional period will be increased, beginning with the presidency itself, in order to substantially reduce current spending.

Investments in public works had to be reduced, which has affected contributions by the construction sector to the GDP. Nevertheless, public housing, which has been defended come hell or high water, is a reality. Every day we build homes for the people and for the middle classes in all states. Public areas begin to feel the affectionate hand of Fundabarrios which hoped to convert them into true popular neighborhoods. We insistently seek, and we are on the road to accomplishing the participation of municipal and regional governments in these programs.

This year we will increase the larger works and will put into effect the system of concessions, as covered in the law decree I enacted, authorized by the enabling law that Congress granted me. At the end of 1994 a decree was issued that opens the bidding process for the Caracas-coastal highway. Later we will invite bids on other truly important works. I should mention that the start of these processes took longer than we had initially planned because essential studies and projects had not been done or were incomplete or faulty.

We found an alarming situation in agriculture. The high bank interest rates made it virtually impossible for farmers to pay their debts and unthinkable for them to sow new plots. The legislative branch, the executive, and the banks were forced to work together so as to achieve agreements, which were not easy to work out, in favor of our farmers and cattlemen. In addition, finding a balance between the just aspiration of farmers for better remuneration and the understandable complaints of consumers against high prices is a delicate task.

Despite adverse factors affecting agriculture, production increased in the following areas: corn, 35.4 percent; cotton, 23.4 percent; sorghum, 21 percent; rice, 13.4 percent; milk, 11 percent; pork, 8 percent; beef, 7 percent; roots and tubers, 6.6 percent; poultry, 2 percent; and oil seeds, 1 percent.

In detailing all these favorable aspects that we must understand clearly at the beginning of the year, I wouldn't like my fellow citizens to think I am trying to conceal that which is negative. The economic recovery is under way, but no miracles can be expected. An immediate resolution of problems would be an illusion.

We must create more jobs. In this regard, it should be pointed out that the inflated unemployment figures reported by some are not true. The home polls, which have always been the most reliable source in this regard, conducted by the Central Statistics Office—this guarantees the polls' reliability—set unemployment at 8.9 percent. We must not underestimate the effect of the specific policies we have implemented to assist small and medium-sized industries. We thank the small and

medium-sized industry chambers for their fair recognition of the government's conduct toward this important segment of the national economy as a source of production and employment.

Another very worrisome and negative issue is that of lack of personal security. Up to now, we cannot report the results we would like to. The truth is that social disintegration, fragmentation, drug trafficking—which has invaded us to a much larger extent than imagined one year ago—the proliferation and illegal trafficking of weapons, the crisis of families, the absence of incentives and education opportunities for youth, and the infiltration of crime within the security corps, even private security corps, create a picture against which the efforts we have waged—which have been many and very intense—have not produced the desired results. The astounding recurrence of violent events, which peak during the holiday season, continue to cause anxiety among us. We will continue to work to purge and improve security corps, as well as to earmark more resources for them to provide them with the appropriate equipment. We will work to open new opportunities for youngsters so they can train and join the production force, and will coordinate the action of different police corps to better carry out their task of repressing crime. We are also trying to have neighborhood organizations guide and support security corps so they can better protect their areas. Convinced that the problem of a lack of personal security is one that affects the community most, we will reinforce in all aspects the struggle against this terrible scourge.

Our actions will continue with the implementation of projects and investments required by the times so that the prison system will stop being a network of deplorable establishments, schools for crime with a crowded population exposed to the repeated violation of human rights by the very inmates and corrupt officials. [sentence as heard]

We also have been working hard to efficiently control the abuses committed by illegal immigrants who crowd our cities, and by rebels from neighboring countries who invade our territory with their criminal actions. Tackling the restructuring and reorganization of the Directorate of Identification and Alien Affairs with the greatest possible energy answers a general demand.

We are aware that the struggle against crime is not based just on repression. It also demands a comprehensive prevention program. The government believes that promoting sports and popular culture has been and remains one of the most effective activities for rescuing youths from the clutches of crime.

All our efforts would not be enough if we did not consider social policies a priority. The government's top concern is and must remain the people, those who live in our territory. This is not populism; it is simply justice. We are increasing and reorganizing our social programs to ensure that they will be truly effective and will not

vanish into a tangle of interests and corruption schemes. We are asking and obtaining the growing participation of nongovernment organizations in the administration and supervision of these programs. The government views providing housing, educating youths, and supplying food to the poor as primary goals. We seek to conduct efficient and well-planned works that optimize the product of our resources. The popular markets of the solidary supply program have already become more than a promise; they are now a hope. These markets are proliferating nationwide. The objective pursued is to draw the producer closer to the consumer, particularly with regard to food products. Thousands of people who go to these markets leave with the realization that they have bought products at much lower prices than usual. This united economic program is designed to create 1,100 employee-owned businesses and 50,000 direct jobs. This is not an illusion; it is the truth.

The people's pharmacies are a similar case. These pharmacies offer more affordable medicine and provide patients with the much sought-after and often scarce generic medications. The consumer protection campaign has kept us very busy. We are confidently expecting Congress to approve our observations so that the new bill can be more effective in the fight to lower living costs. We must be clear on the point that the enemy we must defeat is not the merchants, but the speculators.

I would like to say even more to Venezuelans and those foreigners who have the privilege of living in Venezuela, but I should not take too much time. I must add, however, that we should not focus only on our pressing needs to the detriment of medium and long-term objectives. This is why we have reactivated a border policy, whose recent neglect was unforgivable. This will be a patriotic and humane policy, open to reciprocal cooperation and on guard against threats to our peace and sovereignty. For this reason and the need to keep in mind that the motherland is one, we have set our sights on our island, sea, and river domains and on the vast southern portion of our country, which represents more than one-half of our national territory.

We have asked all state agencies and the different groups in society to join hands in promoting the sustainable development of the south, Prodesur. A high-level presidential commission will coordinate the planned activities of Prodesur. This is the integral vision of the fatherland beyond the limited and myopic vision of the immediate future.

I call on all Venezuelans to struggle to make the fatherland great. In 1994, we have progressively intensified coordination and exchanges with regional and municipal authorities. The National Governors Convention and the meeting of the National Council of Mayors had positive results, within the concept that we are all responsible to the people. By the end of 1995, there will be elections for governors and legislative assemblies, mayors, councilmen, and parish boards. I trust that the

ghost of abstention, an all-out enemy of the democratic system, can be defeated by the voter's determination.

I hope Congress will adopt the legal reforms that the experience requires and will appoint to the Supreme Electoral Council those who will guarantee the transparency of the process. It must be considered that this is a normal and positive event for the democratic life of the country, the organization of which must promote an effective program of constructive decentralization.

During the electoral process, I will carefully exercise my role, which is none other than making sure elections are held freely without the president's interference. I share the vehement desire of all Venezuelans to elect the most capable candidates based on merit and moral and personal conditions. I also share the desire of Venezuelans that elected officials coordinate efforts with the government. This will permit us to increase our capacity to respond to people's needs and overcome differences in favor of the community. We must keep in mind that government at all levels must be one when it comes to serving the people. This implies joint responsibility at the national, regional, and municipal level.

I greet Venezuelan families with affection at the end of the international year of the family. The recovery of family values is indispensable for the moral reconstruction of the country. An important reason for commemorating this year is that for the first time a Venezuelan will be elevated to sainthood. The sweet and merciful image of devout Mother Maria del San Jose will intercede before Almighty God on behalf of her fellow citizens and the poor to whom she devoted her life. For the recovery of our self-esteem and the affirmation of optimism, we should note the commemoration of the 200th anniversary of the birth of Antonio Jose de Sucre, the great boy from Cumana who in the 35th year of his prodigious existence showed what a person born and raised in our homeland is capable of achieving. The bicentennial of the grand marshal of Ayacucho must be the right time for the reactivation of hope.

Love for Venezuela, its values and symbols, the rebirth of a healthy nationalistic feeling which has sprouted throughout the country in the last few months is a first fundamental step for the reaffirmation in ourselves and our extraordinary potential as a people, who can enjoy and are entitled to a great destiny. Facing the immense task that lies ahead of us, I reiterate my plea for solidarity and unity. Let us each do what we can for the good of the country. It is our common obligation to advance, without hesitation, into the 21st century by defeating doubt, denial, laziness, negligence, carelessness, and selfishness. The year 1995 must be the year of solidarity, the year of the reemergence of self-esteem, the year of the reaffirmation of the desire to serve, the year of the joint struggle to strengthen peace, the year to make adjustments in this beloved and suffering fatherland, this glorious fatherland, not through our rhetoric but through the irrefragable actions of its history. Who is afraid? Why

should we not repeat once more what the liberator said in (Patidilica): To win, yes! There is no alternative. We must win, and we shall win! [applause]

Roundup of Economic Developments
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[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 1 January.

According to Venezuela's Central Statistics and Data Processing Office (OCEI), automobile imports reached 7,111 units from January to October 1994, a 73.9 percent decrease compared to the same period last year. Percentage share of imports according to major car manufacturers were: Mitsubishi (22.3 percent), Fiat (13.8 percent), Toyota (13.1 percent), Daewoo (8.9 percent), Chevrolet (8.9 percent), Ford (6.3 percent), Mazda (5.7 percent), and Chrysler (4.5 percent). Imports for individuals and merchandise transportation vehicles reached 2,085 units for the same period, a 77.6 decrease over the same period in 1993. Shares of major imports in this sector were: Chevrolet (44.0 percent), Mitsubishi (11.6 percent), Ford (10.6 percent), Pegaso (5.2 percent), and Toyota (5.2 percent). (Caracas EL NACIONAL in Spanish 24 Dec 94 p D-6)

Central Bank President Antonio Casas reported that inflation in Venezuela reached 70.8 percent in 1994. Casas explained this increase is due to the considerable downturn of the exchange rate, the increase in demand due to the excessive supply of cash, and the lowering of interest rates. GNP dropped 3.3 percent in 1994. The financial, insurance, construction, and manufacturing sectors were hardest hit. Despite these results Venezuela recorded a surplus of \$4.121 billion in its balance of payments in 1994 due to a decrease in imports and significant increase in exports. The oil industry grew 5.7 percent in 1994. (Caracas Union Radio Network in Spanish 2200 GMT 26 Dec 94)

The Central Bank reports that due to the financial crisis, the Venezuelan Government recorded a deficit of 7.3 percent of the GNP in 1994. (Caracas Union Radio Network in Spanish 2200 GMT 26 Dec 94)

Deputy Finance Minister Fernando Luis Engana has said Venezuela will finish 1994 with \$12 billion in international reserves. Non-petroleum exports reached approximately \$4 billion, a 14 percent increase over the same period in 1993. Engana said the private sector exported 67 percent of Venezuela's total exports. Venezuela recorded a favorable trade balance in 1994 with a \$4.121 trade surplus due to an increase in exports, a 6 percent increase in the petroleum industry's GDP, an unprecedented increase in non-petroleum exports which reached 15 percent of Venezuela's total exports, and a significant drop in imports. Engana also said foreign investment increased 60 percent in 1994. (Caracas EL UNIVERSAL in Spanish 26 Dec 94 Section 2 p 1)

Finance Minister Julio Sosa foresees an improvement in Venezuela's economic situation in 1995 due to non-traditional exports in 1994 and the gradual increase in oil prices. Sosa said if these two economic indicators continue to increase then inflation will be reduced in 1995. (Caracas REPORTE DE LA ECONOMIA in Spanish 27 Dec 94 p 2)

The Finance Ministry has issued a resolution that will make it easier for Venezuelan companies to contract loans abroad. Director General Luis Grisanti explained that this will help make currency exchange control more flexible. Grisanti said the company that obtains a loan in foreign currency should choose a local bank to handle all necessary formalities. After registering the loan, the bank will be allowed to receive and transfer the money needed for the loan. The Exchange Administration Technical Office will maintain control of the foreign loans. (Caracas Union Radio Network in Spanish 2200 GMT 27 Dec 94)

Energy and Mines Minister Edwin Arrieta said Venezuelan Petroleum, Inc., PDVSA, will contribute \$5.277 billion (941 billion bolivars at a rate of exchange of 180 bolivares per U.S. dollar) to the treasury. PDVSA's approved budget for 1995 is 1.903 trillion bolivares. PDVSA estimates it will produce 3.155 million barrels daily in 1995. PDVSA's budget is based on the same premises as the nation's fiscal budget, that is, an exchange rate of 180 bolivares per U.S. dollar, and a 19 to 20 percent inflation rate. Other premises are an average sale price per barrel of oil of \$13.50 and total crude and finished products export volume of 2.387 million barrels daily. (Caracas EL NACIONAL in Spanish 27 Dec 94 p D-4)

The Exchange Administration Board (JAC) has ordered special procedures for currency exchange in the Nueva Esparta Free Zone. In order to exchange currency to pay for foreign imports the importer must be registered as an importer with the Guamache Customs Office. Importers may request currency exchange authorization based on percentage share of the total imports made in the Free Zone in 1993. If the importer did not import goods in 1993, his request must include a sworn statement stating the reason for his request. (Caracas EL GLOBO in Spanish 29 Dec 94 p 11)

The Deposit Guarantee and Banking Protection Fund (Fogade) has announced it will not give any more aid to faltering banks in which the state has intervened. Some of these banks cannot be saved. Six of the eight banks in which the government has intervened will be able to repay Fogade in 10 to 15 years. The eight banks will probably be liquidated. (Caracas Union Radio Network in Spanish 2200 GMT 30 Dec 94)

Grupo Latinoamericana's losses are now estimated at 200 billion bolivares. Total losses have not been established but are estimated at 50 billion bolivares. Negative bond operations add up to 49 billion bolivares. In addition to these losses, which Fogade must face, are

interbanking system loans to the tune of 49 billion bolivares. The four state banks have loaned Fogade 700 billion bolivares, which Fogade has promised to repay in January. (Caracas EL UNIVERSAL in Spanish 30 Dec 94 Section 2 p 1)

The National Office of Statistics and Information Science reports that non-traditional exports reached \$3.975 billion in 1994, a 16.2 percent increase over the same period in 1993. Imports reached \$7.63 billion, a 32.3 percent decrease over the same period last year. The total of non-traditional and petroleum exports reached

\$11.75 billion in 1994, resulting in a favorable trade surplus of \$7.7 billion. The private sector registered 66.75 percent of the total exports and 88.7 percent of total imports. (Caracas ECONOMIA HOY in Spanish 30 Dec 94 p 3)

The National Integrated Service for Tax Administration reports the Finance Ministry collected 97,000,762.541 bolivares through the banking debit tax since its enactment on 9 May. (Caracas EL GLOBO in Spanish 30 Dec 94 p 11)

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